LIBERTY HOLDINGS LIMITED

Financial results

For the six months ended 30 June 2019

ADVICE INSURE INVEST HEALTH

Liberty – an Authorised Financial Service Provider in terms of the FAIS Act (Licence No. 2409).

HIGHLIGHTS

NORMALISED OPERATING EARNINGS

R1,1 billion

↑ 14%

NORMALISED HEADLINE EARNINGS

R2,0 billion

↑ 51%

ANNUALISED NORMALISED RETURN ON IFRS EQUITY

17,7%

EMBEDDED VALUE OF NEW BUSINESS

R171 million

↑ 20%

NORMALISED RETURN ON GROUP EQUITY VALUE

14,0%

STANLIB SOUTH AFRICA NET CUSTOMER CASH INFLOWS

R13,3 billion

↑ 58%

LIBERTY GROUP LIMITED SCR COVER

1,85 times

CONTENTS

FINANCIAL PERFORMANCE INDICATORS

for the six months ended 30 June 2019

Rm (unless otherwise stated)	30 June 2019	30 June 2018	% change	12 months 31 December 2018
Liberty Holdings Limited				
Earnings				
Normalised headline earnings[1]	**2 013**	1 332	51	2 256
Normalised headline earnings per share (cents)[1]	**735,8**	482,0	53	817,9
Normalised return on IFRS equity (%)[1],[3]	**17,7**	12,1		10,1
Group equity value				
Normalised group equity value per share (R)[1],[3]	**143,96**	138,98	4	138,64
Normalised return on group equity value (%)[1],[2],[3]	**14,0**	4,7		3,8
Distributions per share (cents)				
Normal dividend	**276**	276		691
Interim dividend	**276**	276		276
Final dividend	**n/a**	n/a		415
Total assets under management (Rbn)	**758**	719	5	718
Long-term insurance operations				
Indexed new business (excluding contractual increases)	**3 862**	3 773	2	8 051
Embedded value of new business[2]	**171**	142	20	371
New business margin (%)[2]	**0,9**	0,7		0,9
Net customer cash flows	**(565)**	262	(>100)	2 001
Solvency capital requirement cover of Liberty Group Limited (times covered)[2]	**1,85**			1,87
Asset management – STANLIB South Africa				
Assets under management (Rbn)	**566**	559	1	529
Net cash inflows including money market[4]	**13 250**	8 400	58	16 149
Retail and institutional net cash inflows excluding money market[4]	**9 751**	8 949	9	9 155
Money market net cash inflows/(outflows)[4]	**3 499**	(549)	>100	6 994

(1) *Normalised: headline earnings, headline earnings per share, return on IFRS equity, group equity value per share and return on group equity value.*

These measures reflect the economic reality of the consolidation of the listed REIT Liberty Two Degrees (L2D) and the Black Economic Empowerment (BEE) transaction, as opposed to the required IFRS accounting treatment.

(2) *Solvency capital requirement cover (effective from 1 July 2018) is the excess of assets over liabilities required by an insurer to ensure that its assets remain larger than its liabilities with a 99.5% level of certainty over a one year time horizon, with assets and liabilities valued in accordance with the Insurance Act, 2017. This replaces the capital adequacy requirement cover that was reported previously under the old regime, hence no comparative information is provided. The comparative information related to normalised group equity value per share, normalised return on group equity value, embedded value of new business and new business margin for June 2018 has been disclosed using the new basis.*

(3) *Annualised.*

(4) *Excludes intergroup life funds.*

Preparation and supervision:
This announcement on Liberty Holdings Limited interim financial results for the six months ended 30 June 2019 has been prepared and supervised by M Norris CA(SA) (Executive: Group Finance) and Y Maharaj CA(SA) (Financial Director).

FINANCIAL REVIEW

for the six months ended 30 June 2019

Operational earnings growth and improved investment market returns

Highlights

Increased delivery to customers

The group's strategy is underpinned by delivering exceptional client and adviser experiences. In continuing to support our clients through their life journeys and fulfilling our promises to them, death and disability payments made by Liberty in the first half of 2019 increased by 6,9% to R5,0 billion and annuity payments increased by 8,6% to R3,9 billion.

Growing operating earnings and good investment returns

The group's performance for the six months to 30 June 2019 reflects continued progress in achieving our medium-term financial targets, with a 13,9% increase in normalised operating earnings arising from the South African Insurance Operations and the STANLIB South Africa business and significantly higher earnings of R922 million from the Shareholder Investment Portfolio (SIP). This resulted in normalised headline earnings per share of 735,8 cents, a 52,7% increase on the comparative period, and an annualised return on equity of 17,7% for the period. The return on group equity value (RoGEV) increased to 14,0% from 4,7% at 30 June 2018. The group value of new business (VoNB) margin, while maintained at the 31 December 2018 level of 0.9%, reflected an improvement from the 0,7% level at 30 June 2018. Group net external third party client cash inflows increased significantly to R10,6 billion, compared to R1,9 billion for the six months to 30 June 2018.

Capital remains strong

The group's capital position remains strong, at the upper end of our target range, with the Solvency Capital Ratio for Liberty Group Limited, the group's main long-term insurance licence, at 1,85 times at 30 June 2019.

Group financial performance

Normalised operating earnings for the six months to 30 June 2019 of R1 091 million were up 13,9% on the comparative period, reflecting the improved operational performance, particularly in the South African Insurance Operations and the STANLIB South Africa business. The SIP earnings of R922 million benefitted from strong investment market returns, resulting in normalised headline earnings of R2 013 million being 51,1% up on the six months to 30 June 2018. Annualised return on equity was 17,7%, compared to 12,1% in the comparative period.

Headline earnings for the first half of 2019 of R1 996 million, which includes a negative adjustment of R14 million (30 June 2018: R193 million positive adjustment) arising from the accounting mismatch on the consolidation of the Liberty Two Degrees listed REIT, were 31.2% above the comparative period headline earnings of R1 521 million.

Group net external third party client cash inflows increased significantly to R10,6 billion, compared to R1.9 billion for the six months to 30 June 2018, supported mainly by good STANLIB South Africa net external third party client cash inflows. Total group assets under management amounted to R758 billion (31 December 2018: R718 billion).

Group equity value per share increased from R138,98 in the comparative period to R143,96. The RoGEV increased to 14,0% from 4,7% at 30 June 2018. The higher RoGEV was attributable to the improved VoNB generated in the period, supported by higher investment market returns.

The group VoNB of R171 million was 20,4% up from R142 million in the comparative period with margin improvement from 0.7% to 0.9%. This outcome was mainly attributable to product enhancements and margin management supported by continued stringent cost discipline.

Group long-term insurance indexed new business of R3 862 million was 2.4% above the comparative period. Focus remains on sales efforts and new business volumes in the prevailing tough consumer environment in South Africa.

FINANCIAL REVIEW (CONTINUED)

for the six months ended 30 June 2019

Earnings by business operations

Rm (Unaudited)	30 June 2019	30 June 2018	% change	12 months 31 December 2018
South African Insurance Operations	1 012	950	7	2 009
SA Retail	782	704	11	1 581
Liberty Corporate	39	77	(49)	52
LibFin Markets	191	169	13	376
South African Asset Management				
STANLIB South Africa	209	175	19	355
Africa regions	31	8	>100	8
Liberty Africa Insurance	17	(6)	>100	(19)
STANLIB Africa	14	14		27
Operations under ownership review[1]	(64)	(81)	21	(166)
Central costs and sundry income	(97)	(94)	(3)	(200)
Normalised operating earnings	1 091	958	14	2 006
Shareholder Investment Porfolio (SIP)	922	374	>100	250
Normalised headline earnings	2 013	1 332	51	2 256
BEE preference share adjustment	(3)	(4)	25	(8)
Reversal of accounting mismatch arising on consolidation of L2D[2]	(14)	193	(>100)	397
Headline earnings	1 996	1 521	31	2 645

(1) *The cash-generating units impacted are asset management operations in Ghana, Uganda, Kenya and Botswana, Health solutions and Liberty Africa Insurance short-term insurance business in Malawi. 2018 included the short-term insurance technology start-up, which was sold effective 2 January 2019. Under IFRS these are disclosed as disposal groups classified as held for sale.*

(2) *Refer to Explanation of terms.*

Commentary on the earnings by business unit follows on the pages below. Additional information is contained in the summary consolidated segment information.

South African Insurance Operations

The South African Insurance Operations, comprising the SA Retail, Liberty Corporate and LibFin Markets (credit portfolio and asset liability matching portfolio) businesses, earnings contribution of R1 012 million was up 6,5% on the comparative period.

SA Retail

Earnings from the group's South African Retail business of R782 million were 11,1% up on the comparative period. This increase was supported by favourable risk experience variances and costs being managed in line with current sales volume growth.

Indexed new business sales of R3 130 million were 0,6% up on the first half of 2018, with the tough consumer environment in South Africa continuing to impact sales volumes. Growth in sales volumes and VoNB remains management's highest priority.

Initiatives launched in the first half of 2019 included various product enhancements within the investment and risk product suite. This includes the launch of the Liberty Advanced Global Equity Tranche 2 portfolio on the Evolve Investment Plan and the Wellness Bonus Benefit on the Lifestyle Protector risk proposition. Following the launch of the Wellness Bonus Benefit, one of our competitors has initiated a court action to prevent us from offering the benefit to our clients. Liberty has filed its answering affidavit to this court application.

The SA Retail VoNB increased by 13,6% from R118 million in the comparative period to R134 million, and the margin improved from 0,8% at 30 June 2018 to 0,9%. This result is attributable to the positive impact of product enhancements and margin management combined with improved new business mix. Notwithstanding continued retention efforts, net client cash outflows of R513 million reflected the impact of increased surrender and maturity values paid on investment policies following improved market returns over the period.

FINANCIAL REVIEW (CONTINUED)

for the six months ended 30 June 2019

Liberty Corporate

Liberty Corporate recorded earnings of R39 million (30 June 2018: R77 million) for the period. The underwriting result was impacted by poor group life mortality experience. The experience on the disability book continues to improve following management actions taken, including selective risk scheme repricing. Costs continue to be well managed.

Indexed new business was 2,3% below the comparative period at R504 million, reflecting improved single premium business offset by slightly lower risk business sales. VoNB increased to R22 million from R19 million in the first half of 2018. Lower net client cash outflows of R418 million (30 June 2018: outflows of R689 million) were due to lower investment business outflows.

LibFin Markets – Asset liability management and credit portfolio

The asset liability management portfolio, which consists of the market and liquidity risk exposures arising from the guaranteed investment product set, produced an increased profit of R49 million (30 June 2018: R19 million) attributable to lower hedging costs in the current period. Earnings from the credit portfolio amounted to R142 million (30 June 2018: R150 million). LibFin Markets assets under management amounted to R68 billion (31 December 2018 R65 billion).

South African Asset Management

STANLIB South Africa

STANLIB South Africa earnings were up 19,4% to R209 million. Fee income was higher in the current period due primarily to strong cash inflows and favourable investment market performance.

Net external third party client cash inflows grew to R13,3 billion from R8,4 billion in the comparative period. This result was largely attributable to good institutional non-money market and money market inflows. Intragroup cash inflows for the first half of 2019 amounted to R2,8 billion.

Total assets under management by STANLIB South Africa amounted to R566 billion (31 December 2018: R529 billion).

Africa regions

Africa regions comprise Liberty Africa Insurance and the STANLIB asset management operations in the Southern African region.

Earnings for the period of R31 million (30 June 2018: R8 million) were positively impacted by return to expected claims experience from the short-term insurance business in Kenya. The asset management operations' performance was in line with the comparative period.

Operations under ownership review

The loss of R64 million has reduced compared to the loss of R81 million incurred in the first half of 2018, due mainly to the sale of Liberty's short-term insurance technology platform to Standard Bank Group effective 2 January 2019.

Good progress is being made with the disposal of the asset management businesses classified as operations under ownership review. Refer to the separate announcement released on SENS on 31 July 2019 in respect of the disposal of STANLIB Ghana. Efforts continue to find a suitable outcome for the health business, however these are taking longer than anticipated.

Shareholder Investment Portfolio (SIP)

The SIP includes the assets backing capital in the insurance operations as well as the group's investment market exposure to the 90:10 book of business. The current risk profile of the SIP is similar to a conservative balanced portfolio and is managed with a long-term through the cycle investment horizon.

The performance of the SIP was mainly attributable to good performance of local equities and bonds and developed market equities during the first six months of 2019, which resulted in the SIP producing a gross return of 5,9% (30 June 2018: 3,3%) and delivering earnings of R922 million (30 June 2018: R374 million). The SIP exposure to investment markets remains appropriate in the context of the group's risk appetite.

Financial market volatility in both South African and developed markets is likely to continue. This will have a natural consequence for the SIP earnings for the 2019 full year as compared to the first half.

Liberty Two Degrees (L2D)

The interim distribution declared for the first half of 2019 was maintained at the level of the comparative period. The quality and robust nature of the L2D property portfolio is evident in the company's solid operational performance despite the negative impact of low macroeconomic growth on the consumer. L2D's specialist retail skills and the steadfast execution of its strategic building blocks should continue to ensure that its predominantly retail portfolio will perform well.

Further details on the results are available on the L2D website and in the L2D results announcement.

Bancassurance

The bancassurance agreement with Standard Bank Group, which is applicable across the group's operations, continues to make a positive contribution to new business volumes and earnings. The total indexed new business premiums sold under the agreement increased by 5,8% on the comparative period. We continue leveraging our joint capabilities with Standard Bank to capture appropriate opportunities.

Capital adequacy cover

The Solvency Capital Requirement cover of Liberty Group Limited, the group's main long-term insurance licence, of 1,85 times at 30 June 2019 is at the upper end of the target range and underpins our ability to fulfil our promises to policyholders and other stakeholders.

All other group subsidiary life licences were adequately capitalised.

FINANCIAL REVIEW (CONTINUED)

for the six months ended 30 June 2019

Dividends

2019 interim dividend

In line with the group's dividend policy of paying 40% of the prior full year dividend, the board has approved and declared a gross interim dividend of 276 cents per ordinary share. The interim dividend will be paid out of income reserves and is payable on Monday, 2 September 2019 to all ordinary shareholders recorded in the books of Liberty Holdings Limited on the record date.

The dividend of 276 cents per ordinary share will be subject to a local dividend tax rate of 20%, which will result in a net interim dividend, to those shareholders who are not exempt from paying dividend tax, of 220,8 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	Tuesday, 27 August 2019
First trading day *ex* dividend on the JSE	Wednesday, 28 August 2019
Record date	Friday, 30 August 2019
Payment date	Monday, 2 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 August 2019 and Friday, 30 August 2019, 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, 2 September 2019.

Prospects

Management's focus for 2019 remains on driving SA Retail performance and VoNB growth, maintaining STANLIB's investment performance in the top quartile, concluding outcomes for each of the group's operations under ownership review and continuing to maximise our relationship with the Standard Bank Group.

We expect the South African economic environment to remain subdued for the remainder of 2019, however, we are confident that we are focusing on the right areas of the business to create sustainable longer-term value for all stakeholders.

David Munro
Chief Executive

Jacko Maree
Chairman

1 August 2019

LIBERTY

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

ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements of Liberty Holdings Limited for the six months ended 30 June 2019 have been prepared in accordance with and contain 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 Listings 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 accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements except for the mandatory adoption of IFRS 16 *Leases*. The group applied IFRS 16 retrospectively from 1 January 2019, using the modified retrospective approach. Comparatives, as permitted by IFRS 16, are not restated under this approach. There was no impact to opening retained earnings on adoption of IFRS 16. IFRS 16 replaces IAS 17 *Leases* as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee and the lessor.

The standard requires lessees to capitalise all significant lease arrangements on inception of the lease as right-of-use assets with corresponding finance lease liabilities on the statement of financial position. The group has included the right-of-use assets within 'Equipment and right-of-use assets' on the statement of financial position. As at 1 January 2019, a right-of-use asset of R282 million was recognised with a corresponding finance lease liability on the statement of financial position.

Operating lease charges will continue to be recognised for short-term leases and leases of low value items (which includes the month-to-month property leases, printing equipment, computer leasing charges where applicable, and other miscellaneous leases). Refer to the 'Adoption of IFRS 16 *Leases*' note for more detail.

Various amendments issued by the IASB as well as IFRIC 23 *Uncertainty over Income Tax Treatments* were also adopted for the year commencing 1 January 2019. The impact on the group's financial results, disclosures or comparative information is not expected to be significant.

Presentation changes and changes in accounting policies for the year ended 31 December 2018, resulting in 30 June 2018 restatements

As disclosed in the group's annual financial statements, various accounting policy and presentation polices were adopted for the year end 31 December 2018, which are summarised below. The 30 June 2018 comparative numbers have accordingly been restated and are explained in the 'Changes in presentation and accounting policies' note.

Presentation policy for IFRS 9

The group reassessed its accounting presentation policy of all IFRS 9 related transactions for the year ended 31 December 2018. As part of the IFRS 9 implementation, all income statement movements on financial instruments measured at fair value through profit or loss, including interest income, dividends and finance costs, were presented as fair value adjustments for the year ended 31 December 2018. Consequently in the presentation of the cash flow statement, the receipts and payments for these items are disclosed as proceeds or repayments of the financial instruments and are not separately presented as interest received, dividends received and finance costs. The group also adopted certain consequential amendments to IAS 1 *Presentation of Financial Statements* arising from IFRS 9 which requires the disclosure of interest income on financial assets using the effective interest rate method.

Cash flow statement

Following a comprehensive review of the group's long-term insurance business model, the enterprise risk management framework and consideration of the new regulatory capital regime effective 1 July 2018, the group considered the appropriateness of cash flows relating to investment portfolios backing policyholder liabilities and supporting regulatory and group risk adjusted minimum capital levels for the year ended 31 December 2018. It was determined that these would be better reflected as cash flows from operating activities rather than as previously reflected as cash flows from investing activities. These changes were accounted for in the annual financial statements for the year ended 31 December 2018 and the six months to 30 June 2018 have accordingly been restated. Refer to the 'Change in presentation of the cash flow statement' note for more detail.

Segment reporting

The Liberty group underwent a strategy refresh during 2018. The 30 June 2018 primary segments were restated to align to the new operating model based on the information used by the chief operating decision makers.

New standards not yet effective

IFRS 17 *Insurance Contracts* (effective 1 January 2022, following IASB due process) will have significant financial reporting impact for the group. Management is assessing this impact under a focussed project.

Review/audit

These interim results have not been reviewed or audited by the company's auditors PricewaterhouseCoopers Inc.

EXPLANATION OF TERMS

Development costs

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

FCTR

Foreign Currency Translation Reserve.

FVOCI

Fair value through other comprehensive income.

FVPL

Fair value through profit or loss

"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 12 months' premiums on new recurring premium policies and one tenth of single premium sales.

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

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.

Solvency capital requirement (SCR)

The prudential regulatory regime governing South African assurance companies changed on 1 July 2018. This necessitated a change to Liberty's capital requirement coverage methodology. The SCR is the excess of assets over liabilities required by an insurer to ensure that its assets remain larger than its liabilities with a 99.5% level of certainty over a one year time horizon, with assets and liabilities valued in accordance with the Insurance Act, 2017.

Normalised: headline earnings, 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 and the consolidation of the listed Liberty Two Degrees (L2D) as opposed to the required IFRS accounting treatment.

BEE transaction

IFRS reflects the BEE transaction as a share buy-back. Dividends received on the group's preference shares (which are recognised as an asset for this purpose) are included in income. Shares in issue relating to the transaction are reinstated.

EXPLANATION OF TERMS (CONTINUED)

Normalised: headline earnings, headline earnings per share, return on equity, group equity value per share and return on group equity value (continued)

Reversal of accounting mismatch arising on IFRS profit or loss consolidation of L2D

An accounting mismatch arises on consolidation of L2D in the group financial statements, resulting from the different measurement bases applied to L2D's assets and Liberty Group Limited's (100% subsidiary of Liberty Holdings Limited) policyholder liabilities. Specifically:

- on a consolidated look through basis the investment property assets of L2D are included in the group financial statements at fair value; whereas
- the corresponding linked obligations to Liberty Group Limited's policyholders are required under IFRS to continue to be measured in the group financial statements at the listed price of the L2D shares.

The result of this is an accounting mismatch that represents any difference in the profit and loss movement in the price at which L2D's listed shares trade relative to the underlying net asset value.

L2D adjustment in group equity value

In addition to the reversal of the accounting mismatch in IFRS profit or loss described above, the group equity value adjusts the exposures in the Shareholder Investment Portfolios (SIP) to the listed share price.

Summary of impact

Below is a summary of the L2D transaction impact on the ordinary shareholders' equity:

Rm	Group equity value Total	IFRS net asset value	SIP equity value adjustment
Opening adjustment at 1 January 2019	940	522	418
IFRS profit or loss	(14)	(14)	
Group equity value earnings	7		7
Transaction between owners	(6)	(6)	
Closing adjustment at 30 June 2019	**927**	**502**	**425**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

Rm	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Assets			
Intangible assets	573	430	572
Defined benefit pension fund employer surplus	129	151	140
Properties	36 109	34 723	35 961
Equipment and right-of-use assets	1 205	1 064	1 038
Interests in joint ventures	1 350	1 382	1 353
Interests in associates	15 078	13 862	13 834
Deferred taxation	390	368	245
Deferred acquisition costs	789	779	777
Long-term policyholder assets – insurance contracts	6 569	7 159	6 708
Reinsurance assets	2 226	1 967	2 119
Long-term insurance	1 818	1 532	1 699
Short-term insurance	408	435	420
Financial investments	347 789	334 423	328 365
Policy loans receivable	415	1 182	340
Assets held for trading and for hedging	10 436	9 757	10 340
Repurchase agreements, scrip and collateral assets	8 708	13 075	12 658
Prepayments, insurance and other receivables	6 369	6 960	4 953
Cash and cash equivalents	14 385	9 976	16 974
Disposal group assets classified as held for sale	740		897
Total assets	**453 260**	**437 258**	**437 274**
Liabilities			
Long-term policyholder liabilities	322 820	319 280	310 994
Insurance contracts	207 102	206 782	200 744
Investment contracts with discretionary participation features	10 381	10 783	10 437
Financial liabilities under investment contracts	105 337	101 715	99 813
Reinsurance liabilities	261	652	283
Third party financial liabilities arising on consolidation of mutual funds	53 462	41 832	48 186
Provisions	133	76	145
Deferred taxation	3 333	3 060	2 694
Deferred revenue	327	314	314
Short-term insurance liabilities	1 025	1 089	984
Financial liabilities	7 520	5 387	8 104
Liabilities held for trading and for hedging	8 398	8 591	8 457
Repurchase agreements, liabilities and collateral deposits payable	8 270	11 261	11 747
Employee benefits	1 062	1 178	1 377
Insurance and other payables	14 495	12 337	11 971
Current taxation	80	1 017	347
Disposal group liabilities classified as held for sale	256		278
Total liabilities	**421 442**	**406 074**	**405 881**
Equity			
Ordinary shareholders' equity	23 530	22 767	23 003
Share capital	26	26	26
Share premium	5 096	5 154	5 104
Retained surplus	19 417	18 414	18 661
Other reserves	(1 009)	(827)	(788)
Non-controlling interests	8 288	8 417	8 390
Total equity	**31 818**	**31 184**	**31 393**
Total equity and liabilities	**453 260**	**437 258**	**437 274**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2019

Rm	Unaudited 30 June 2019	Restated[2] Unaudited 30 June 2018	Audited 12 months 31 December 2018
Revenue			
Insurance premiums	20 068	18 386	40 611
Reinsurance premiums	(1 211)	(1 019)	(2 090)
Net insurance premiums	18 857	17 367	38 521
Revenue from contracts with customers	2 078	2 064	4 073
Investment income	1 576	1 555	3 316
Interest income on financial assets using the effective interest rate method	890	651	1 516
Fair value adjustment to assets held at fair value through profit or loss	24 196	5 788	3 078
Total income	47 597	27 425	50 504
Claims and policyholder benefits under insurance contracts	(20 232)	(18 667)	(39 504)
Insurance claims recovered from reinsurers	983	808	1 571
Change in long-term policyholder assets and liabilities	(6 375)	4 901	11 449
Liabilities under insurance contracts	(6 406)	3 952	10 024
Policyholder assets related to insurance contracts	(139)	(325)	(776)
Investment contracts with discretionary participation features	28	1 216	1 607
Applicable to reinsurers	142	58	594
Fair value adjustment to long-term policyholder liabilities under investment contracts	(6 048)	(880)	1 273
Fair value adjustment to financial liabilities	(605)	(634)	(1 381)
Fair value adjustment on third party mutual fund interests	(3 079)	(2 237)	(2 407)
Acquisition costs	(2 077)	(2 239)	(4 413)
General marketing and administration expenses	(5 485)	(5 420)	(11 184)
Finance costs	(118)	(44)	(110)
Profit share allocations under bancassurance and other agreements	(711)	(553)	(1 284)
Remeasurement of disposal groups classified as held for sale	(125)		(249)
Equity accounted earnings from associate	(1)		
Equity accounted earnings from joint venture	10	20	32
Profit before taxation	3 734	2 480	4 297
Taxation[1]	(1 563)	(780)	(1 255)
Total earnings	2 171	1 700	3 042
Other comprehensive (loss)/income	(27)	251	369
Items that may be reclassified subsequently to profit or loss	(27)	153	269
Net change in fair value on cash flow hedges	25	(17)	(9)
Income and capital gains tax relating to net change in fair value on cash flow hedges	(7)	5	3
Net change in debt instruments measured at FVOCI	(13)		42
Income tax relating to movement in debt instrument measured at FVOCI	4		(12)
Foreign currency translation	(36)	165	245
Items that may not be reclassified subsequently to profit or loss		98	100
Owner-occupied properties – fair value adjustment	(12)	18	19
Income and capital gains tax relating to owner-occupied properties fair value adjustment	5	(2)	2
Change in long-term policyholder insurance liabilities (application of shadow accounting)	13	(9)	2
Actuarial gains on post-retirement medical aid liability	19	39	70
Income tax relating to post-retirement medical aid liability	(5)	(11)	(20)
Net adjustments to defined benefit pension fund	(10)	(20)	(30)
Income tax relating to defined benefit pension fund	3	5	8
Fair value adjustments to financial liabilities arising from own credit	(18)	108	68
Income tax relating to fair value adjustments to financial liabilities arising from own credit	5	(30)	(19)
Total comprehensive income	2 144	1 951	3 411
Total earnings attributable to:			
Shareholders' equity	1 872	1 522	2 398
Non-controlling interests	299	178	644
	2 171	1 700	3 042
Total comprehensive income attributable to:			
Shareholders' equity	1 860	1 725	2 680
Non-controlling interests	284	226	731
	2 144	1 951	3 411
Basic and fully diluted earnings per share	Cents	Cents	Cents
Basic earnings per share	699,9	563,5	889,1
Fully diluted basic earnings per share	681,4	547,5	863,7

[1] *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.*
[2] *Refer to Accounting policies.*

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019

Rm	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 12 months 31 December 2018
Balance of ordinary shareholders' equity at 1 January	**23 003**	22 444	22 444
IFRS 9 transition adjustment		(121)	(121)
Ordinary dividends	**(1 151)**	(1 167)	(1 941)
Total comprehensive income	**1 860**	1 725	2 680
Cash flow hedge recycled through profit and loss on early settlement		12	12
Share buy-back[1]	**(227)**	(65)	(247)
Black economic empowerment transaction	**16**	11	33
Share-based payments	**19**	24	94
Preference dividends	**(1)**	(1)	(2)
Share issue costs in subsidiary			(1)
Transactions between owners	**11**	(95)	52
Ordinary shareholders' equity	**23 530**	**22 767**	**23 003**
Balance of non-controlling interests at 1 January	**8 390**	7 947	7 947
Total comprehensive income	**284**	226	731
Acquisition of additional share of unincorporated property partnership	**(180)**		
Unincorporated property partnerships net distributions	**(154)**	(109)	(222)
Non-controlling interests' share of subsidiary distributions	**(50)**	(112)	(314)
Share issue costs in subsidiary			(1)
Transactions between owners	**(2)**	465	249
Non-controlling interests	**8 288**	**8 417**	**8 390**
Total equity	**31 818**	**31 184**	**31 393**

[1] *Share buy-backs are purchases of shares from the market to meet employee share-based payment obligations.*

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2019

Rm	Unaudited 30 June 2019	Restated[1] Unaudited 30 June 2018	Audited 12 months 31 December 2018
Cash flows from operating activities	**1 168**	(6 582)	(379)
Cash utilised by operations	**(1 211)**	(14 446)	(9 805)
Interest income[2]	**890**	651	1 516
Distributions paid	**(2 427)**	(2 182)	(3 196)
Taxation paid	**(1 332)**	(1 557)	(3 092)
Net disposal of financial investments[2]	**6 394**	11 118	13 293
Net disposal/(purchase) of other assets	**375**	(104)	215
(Repayments of)/deposits received on collateral deposits payable	**(1 249)**	122	1 098
Other operating cash flows	**(272)**	(184)	(408)
Cash flows from investing activities	**101**	(230)	(512)
Net disposal of financial investments	**133**	36	23
Net purchase of other assets	**(115)**	(266)	(524)
Acquisition of associate			(10)
Acquisition of equity accounted joint ventures			(1)
Disposal of asset classified as held for sale	**94**		
Cash flows from investing activities in disposal groups	**(11)**		
Cash flows from financing activities	**(3 850)**	1 553	2 785
Net (repayment of)/funding from financial liabilities	**(853)**	(461)	1 927
Net (repayment of)/proceeds on repurchase agreements liabilities	**(2 582)**	1 678	730
Net cash flows from equity transactions with non-controlling interests	**(171)**	401	377
Share issue cost in subsidiary			(2)
Share buy-back	**(227)**	(65)	(247)
Cash flows from financing activities in disposal groups	**(17)**		
Net (decrease)/increase in cash and cash equivalents	**(2 581)**	(5 259)	1 894
Cash and cash equivalents at the beginning of the year	**16 974**	15 169	15 169
Foreign currency translation	**(8)**	66	129
Disposal group cash classified as held for sale			(218)
Cash and cash equivalents at the end of the period	**14 385**	9 976	16 974

(1) *Refer to Accounting policies.*

(2) *Included in the movement on investments for June 2019 is R2 047 million (31 December 2018: R5 200 million, 30 June 2018: R1 900 million) related to dividends received and R6 205 million (31 December 2018: R11 003 million, 30 June 2018: R6 200 million) related to interest income.*

HEADLINE EARNINGS AND EARNINGS PER SHARE

for the six months ended 30 June 2019

Rm (unless otherwise stated)	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 12 months 31 December 2018
Reconciliation of total earnings to headline earnings attributable to shareholders			
Total earnings attributable to shareholders	1 872	1 522	2 398
Preference share dividend	(1)	(1)	(2)
Basic earnings attributable to ordinary shareholders	1 871	1 521	2 396
Remeasurement of disposal groups classified as held for sale	125		249
Headline earnings attributable to ordinary shareholders	1 996	1 521	2 645
Net income earned on BEE preference shares	3	4	8
Reversal of the accounting mismatch arising on consolidation of L2D[1]	14	(193)	(397)
Normalised headline earnings attributable to ordinary shareholders	2 013	1 332	2 256
Weighted average number of shares in issue ('000)	267 336	269 925	269 496
Normalised weighted average number of shares in issue ('000)	273 572	276 333	275 842
Fully diluted weighted average number of shares in issue ('000)	274 562	277 803	277 407
Earnings per share	Cents	Cents	Cents
Total earnings attributable to ordinary shareholders			
Basic	699,9	563,5	889,1
Headline	746,6	563,5	981,5
Normalised headline	735,8	482,0	817,9
Fully diluted earnings attributable to ordinary shareholders			
Basic	681,4	547,5	863,7
Headline	727,0	547,5	953,5

[1] *Refer to Explanation of terms.*

SUMMARY CONSOLIDATED SEGMENT INFORMATION

for the six months ended 30 June 2019

The unaudited segment results for the six months ended 30 June 2019 are as follows:

	South African operations			
	Insurance operations			Asset management
Rm	SA Retail	Liberty Corporate	Other operations[1]	STANLIB South Africa
Total income	40 211	9 912	1 297	1 283
Profit/(loss) before taxation	2 534	116	723	270
Taxation[3]	(1 336)	(25)	(94)	(61)
Total earnings	1 198	91	629	209
Reconciliation of total earnings to headline earnings/(loss) attributable to shareholders				
Total earnings/(loss)	1 198	91	629	209
Attributable to non-controlling interests			(97)	
Remeasurement of disposal groups classified as held for sale				
Preference share dividend			(1)	
Headline earnings/(loss)	1 198	91	531	209
Net income earned on BEE preference shares			3	
Reversal of the accounting mismatch arising on consolidation of L2D			14	
Normalised headline earnings/(loss)	1 198	91	548	209
Reconciliation of business operations earnings/(loss) to segment result				
South African Insurance Operations	921	91		
SA Retail	782			
Liberty Corporate		39		
LibFin Markets	139	52		
South African Asset Management				
STANLIB South Africa				209
Africa regions				
Liberty Africa Insurance				
Liberty Health				
STANLIB Africa				
Shareholder Investment Portfolio	286		636	
Central costs and sundry income	(9)		(88)	
Normalised headline earnings/(loss)	1 198	91	548	209

(1) *Includes shareholders' equity, not allocated to the other operating segments, specifically invested to maximise the investment yield within the group's risk appetite and regulatory requirements and costs associated with the group's governance, investor relations, strategy co-ordination and certain corporate social investment and black economic empowerment activities.*

(2) *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.*

(3) *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.*

The operating segments are supported by LibFin who manages the asset/ liability mismatch risk, originates and manages credit assets backing the guaranteed investment product set arising in the South African insurance operations and manages the performance of shareholder investment exposures in the South African life insurance operations. The impact of these activities is disclosed in the relevant segment grouping.

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the six months ended 30 June 2019

Africa regions					
Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total	Reporting adjustments[2]	IFRS reported
1 547	500	138	54 888	(7 291)	47 597
77	(175)	17	3 562	172	3 734
(52)	19	(14)	(1 563)		(1 563)
25	(156)	3	1 999	172	2 171
25	(156)	3	1 999	172	2 171
(28)		(2)	(127)	(172)	(299)
20	105		125		125
			(1)		(1)
17	(51)	1	1 996		1 996
			3		3
			14		14
17	(51)	1	2 013		2 013
			1 012		
			782		
			39		
			191		
			209		
17	(51)	1	(33)		
17			17		
	(51)		(51)		
		1	1		
			922		
			(97)		
17	(51)	1	2 013		

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the six months ended 30 June 2019

The unaudited restated segment results for the six months ended 30 June 2018 are as follows:

	South African operations			
	Insurance operations			Asset management
Restated[5] **Rm**	**SA Retail**	**Liberty Corporate**	**Other operations[1]**	**STANLIB South Africa**
Total income	22 997	6 250	1 632	1 334
Profit/(loss) before taxation	942	227	978	220
Taxation[3]	(406)	(61)	(217)	(45)
Total earnings	536	166	761	175
Reconciliation of total earnings to headline earnings/(loss) attributable to shareholders				
Total earnings/(loss)	536	166	761	175
Attributable to non-controlling interests			(74)	
Preference share dividend			(1)	
Headline earnings/(loss)	536	166	686	175
Net income earned on BEE preference shares			4	
Reversal of the accounting mismatch arising on consolidation of L2D			(193)	
Normalised headline earnings/(loss)	536	166	497	175
Reconciliation of business operations earnings/(loss) to segment result				
South African Insurance Operations	785	165		
SA Retail	704			
Liberty Corporate		77		
LibFin Markets	81	88		
South African Asset Management				
STANLIB South Africa				175
Africa regions				
Liberty Africa Insurance				
Liberty Health				
STANLIB Africa				
Shareholder Investment Portfolio	(242)	1	615	
Central costs and sundry income[4]	(7)		(118)	
Normalised headline earnings/(loss)	536	166	497	175

(1) *Includes shareholders' equity, not allocated to the other operating segments, specifically invested to maximise the investment yield within the group's risk appetite and regulatory requirements and costs associated with the group's governance, investor relations, strategy co-ordination and certain corporate social investment and black economic empowerment activities.*

(2) *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.*

(3) *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.*

(4) *Includes the short-term insurance technology start-up.*

(5) *Refer to Accounting policies.*

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the six months ended 30 June 2019

Africa regions					
Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total	Reporting adjustments[2]	IFRS reported
1 181	429	156	33 979	(6 554)	27 425
47	(64)	45	2 395	85	2 480
(37)	19	(33)	(780)		(780)
10	(45)	12	1 615	85	1 700
10	(45)	12	1 615	85	1 700
(17)		(2)	(93)	(85)	(178)
			(1)		(1)
(7)	(45)	10	1 521		1 521
			4		4
			(193)		(193)
(7)	(45)	10	1 332		1 332
			950		
			704		
			77		
			169		
			175		
(7)	(45)	10	(42)		
(7)			(7)		
	(45)		(45)		
		10	10		
			374		
			(125)		
(7)	(45)	10	1 332		

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the six months ended 30 June 2019

The audited segment results for the year ended 31 December 2018 are as follows:

Rm (Audited)	South African operations: Insurance operations: SA Retail	Liberty Corporate	Other operations[1]	Asset management: STANLIB South Africa
Total income	43 890	11 544	2 530	2 802
Profit/(loss) before taxation	1 971	199	1 544	493
Taxation[3]	(803)	(44)	(209)	(138)
Total earnings	1 168	155	1 335	355
Reconciliation of total earnings to headline earnings/(loss) attributable to shareholders				
Total earnings/(loss)	1 168	155	1 335	355
Attributable to non-controlling interests			(259)	
Remeasurement of disposal groups classified as held for sale				
Preference share dividend			(2)	
Headline earnings/(loss)	1 168	155	1074	355
Net income earned on BEE preference shares			8	
Reversal of the accounting mismatch arising on consolidation of L2D			(397)	
Normalised headline earnings/(loss)	1 168	155	685	355
Reconciliation of business operations earnings/(loss) to segment result				
South African Insurance Operations	1 860	149		
SA Retail	1 581			
Liberty Corporate		52		
LibFin Markets	279	97		
South African Asset Management				
STANLIB South Africa				355
Africa regions				
Liberty Africa Insurance				
Liberty Health				
STANLIB Africa				
Shareholder Investment Portfolio	(699)	6	943	
Central costs and sundry income[4]	7		(258)	
Normalised headline earnings/(loss)	1 168	155	685	355

[1] *Includes shareholders' equity, not allocated to the other operating segments, specifically invested to maximise the investment yield within the group's risk appetite and regulatory requirements and costs associated with the group's governance, investor relations, strategy co-ordination and certain corporate social investment and black economic empowerment activities.*

[2] *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.*

[3] *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.*

[4] *Includes the short-term insurance technology start-up.*

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the six months ended 30 June 2019

	Africa regions					
	Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total	Reporting adjustments[2]	IFRS reported
	2 329	912	288	64 295	(13 791)	50 504
	5	(351)	53	3 914	383	4 297
	(67)	47	(41)	(1 255)		(1 255)
	(62)	(304)	12	2 659	383	3 042
	(62)	(304)	12	2 659	383	3 042
	2		(4)	(261)	(383)	(644)
	23	226		249		249
				(2)		(2)
	(37)	(78)	8	2 645		2 645
				8		8
				(397)		(397)
	(37)	(78)	8	2 256		2 256

	Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total
				2 009
				1 581
				52
				376
				355
	(37)	(78)	8	(107)
	(37)			(37)
		(78)		(78)
			8	8
				250
				(251)
	(37)	(78)	8	2 256

GROUP EQUITY VALUE REPORT

for the six months ended 30 June 2019

1. Introduction

Liberty presents a group equity value 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 that 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 provides 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 (SA) 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 Advisory Practice Note (APN) 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 Head of Actuarial Function. The full embedded value report is included in the supplementary information section.

30 June 2018 comparatives

The 30 June 2018 comparatives that follow have been adjusted to be consistent with the embedded value basis at 31 December 2018 which was prepared according to the updated version of APN107 that applied from that date.

2.2 Other businesses

STANLIB South Africa	Valued using a 10 times (2018: 10 times) multiple of estimated sustainable earnings.
STANLIB Africa	Valued using a combination of estimated sales price where available, if held for sale, or a 10 times (2018: 10 times) multiple of estimated sustainable earnings, adjusted for country risk.
Liberty Health	As Liberty Health is under ownership review, the IFRS net asset value has been used which includes remeasurement to fair value, less cost to sell.
Liberty Africa Insurance	Liberty Africa Insurance is a 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 30 June 2019 the combined valuations were approximately equal to the cluster's IFRS net asset value. Therefore the IFRS net asset value was used.
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 Liberty Two Degrees (L2D) normalisation adjustment

This represents the difference between Liberty Group Limited's share of the net asset value of L2D as at the reporting date and the listed price of L2D units multiplied by the number of units in issue to Liberty Group Limited at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the Shareholder Investment Portfolio.

2.4 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 expenses incurred in Liberty Holdings Limited capitalised at a multiple of 9 times (2018: 9 times).

GROUP EQUITY VALUE REPORT (CONTINUED)

for the six months ended 30 June 2019

3. Normalised group equity value

3.1 Analysis of normalised group equity value

Rm	Unaudited 30 June 2019 SA covered business	Other businesses	Total
Liberty Group Limited consolidated	17 683		17 683
STANLIB South Africa(1)		920	920
STANLIB Africa(1)		101	101
Liberty Africa Insurance		937	937
Liberty Holdings		2 563	2 563
Operations under ownership review(2)		399	399
Liberty Two Degrees adjustment to net asset value(3)	913	14	927
Shareholders' equity reported under IFRS	18 596	4 934	23 530
Reverse deferred acquisition cost and deferred revenue liability	(322)		(322)
Reverse value of in-force acquired	(4)		(4)
Frank Financial Services allowance for future expenses	(100)		(100)
Impact of discounting on deferred tax asset		(100)	(100)
BEE preference funding	87		87
Liberty Two Degrees adjustment(3)	(913)	(14)	(927)
Allowance for employee share rights	(37)	(23)	(60)
Normalised net worth	17 307	4 797	22 104
Value of in-force – SA Retail	16 640		16 640
Value of in-force – Liberty Corporate	2 925		2 925
Cost of required capital	(3 093)		(3 093)
Fair value adjustment – STANLIB South Africa(1)		2 948	2 948
Fair value adjustment – STANLIB Africa(1)		200	200
Allowance for future shareholder expenses		(1 810)	(1 810)
Normalised equity value	33 779	6 135	39 914

(1) **STANLIB valuation (Rm)**	30 June 2019	31 December 2018	Change
STANLIB South Africa	3 868	3 800	68
Net asset value	920	852	68
Fair value adjustment	2 948	2 948	
STANLIB Africa	362	330	32
Net asset value(i)	162	130	32
Fair value adjustment	200	200	
Total	4 230	4 130	100

(i) *This includes R61 million (31 December 2018: R46 million) in respect of STANLIB Africa which is included in the operations under ownership review line item.*

(2) *Under IFRS these are disclosed as disposal groups classified as held for sale.*

(3) *This represents the difference between Liberty Group Limited's share of the net asset value of L2D as at the reporting date and the listed price of L2D shares multiplied by the number of shares in issue to Liberty Group Limited at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the Shareholder Investment Portfolio.*

GROUP EQUITY VALUE REPORT (CONTINUED)

for the six months ended 30 June 2019

3. Normalised group equity value (continued)

3.1 Analysis of normalised group equity value (continued)

Rm	New basis Unaudited 30 June 2018 SA covered business	Other businesses	Total	Audited 12 months 31 December 2018 SA covered business	Other businesses	Total
Liberty Group Limited consolidated	18 068		18 068	18 088		18 088
STANLIB South Africa		809	809		852	852
STANLIB Africa		82	82		84	84
Liberty Africa Insurance		905	905		926	926
Liberty Holdings		1 621	1 621		1 731	1 731
Operations under ownership review[1]		435	435		382	382
Liberty Two Degrees adjustment to net asset value[2]		847	847	932	8	940
Shareholders' equity reported under IFRS	18 068	4 699	22 767	19 020	3 983	23 003
Reverse deferred acquisition cost and deferred revenue liability	(329)		(329)	(328)		(328)
Reverse value of in-force acquired	(9)		(9)	(7)		(7)
Frank Financial Services allowance for future expenses	(100)		(100)	(100)		(100)
Impact of discounting on deferred tax asset		(100)	(100)		(100)	(100)
BEE preference funding	117		117	99		99
Liberty Two Degrees adjustment[2]		(847)	(847)	(932)	(8)	(940)
Allowance for employee share rights	(62)	(47)	(109)	(46)	(36)	(82)
Normalised net worth	17 685	3 705	21 390	17 706	3 839	21 545
Value of in-force – SA Retail	16 582		16 582	16 054		16 054
Value of in-force – Liberty Corporate	2 927		2 927	2 965		2 965
Cost of required capital	(3 242)		(3 242)	(3 038)		(3 038)
Fair value adjustment – STANLIB South Africa		3 691	3 691		2 948	2 948
Fair value adjustment – STANLIB Africa		13	13		200	200
Allowance for future shareholder expenses		(2 296)	(2 296)		(1 990)	(1 990)
Normalised equity value	33 952	5 113	39 065	33 687	4 997	38 684

[1] *Under IFRS these are disclosed as disposal groups classified as held for sale. The 31 December 2018 figure includes R46 million (30 June 2018: R105 million) in respect of STANLIB Africa which is included in the operations under ownership review line item in the table above.*

[2] *This represents the difference between Liberty Group Limited's share of the net asset value of L2D as at the reporting date and the listed price of L2D shares multiplied by the number of shares in issue to Liberty Group Limited at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the Shareholder Investment Portfolio.*

GROUP EQUITY VALUE REPORT (CONTINUED)

for the six months ended 30 June 2019

3. Normalised group equity value (continued)

3.2 Normalised group equity value earnings and value per share

	Unaudited 30 June 2019			New basis Unaudited 30 June 2018			Audited 12 months 31 December 2018
Rm	SA covered business	Other businesses	Total	SA covered business	Other businesses	Total	Total
Normalised equity value at the end of the period	33 779	6 135	39 914	33 952	5 113	39 065	38 684
Equity value at the end of the period	34 605	6 149	40 754	33 835	5 960	39 795	39 525
Liberty Two Degrees adjustment[(1)]	(913)	(14)	(927)		(847)	(847)	(940)
BEE preference shares	87		87	117		117	99
Net share buy-backs		227	227		65	65	247
Funding of restricted share plan	12	(12)		108	(108)		
Intragroup dividends[(2)]	2 235	(2 235)		1 350	(1 350)		
Dividends paid		1 152	1 152		1 168	1 168	1 943
Normalised equity value at the beginning of the period	(33 687)	(4 997)	(38 684)	(34 599)	(4 787)	(39 386)	(39 386)
Equity value at the beginning of the period	(34 520)	(5 005)	(39 525)	(34 458)	(5 384)	(39 842)	(39 842)
Beginning of year adjustment for introduction of new prudential regime[(3)]				(139)		(139)	(139)
IFRS 9 transition adjustment				121		121	121
Liberty Two Degrees adjustment[(1)]	932	8	940		597	597	597
BEE preference shares	(99)		(99)	(123)		(123)	(123)
Normalised equity value earnings	2 339	270	2 609	811	101	912	1 488
Normalised return on group equity value (%)	14,4	11,6	14,0	4,8	4,2	4,7	3,8
Normalised number of shares ('000)			277 263			281 081	279 025
Number of shares in issue ('000)			266 266			269 699	268 418
Shares held for the employee restricted share scheme ('000)			4 680			5 050	4 353
Estimated shares on settlement of performance reward plan ('000)			110				
Adjustment for BEE shares ('000)			6 207			6 332	6 254
Normalised group equity value per share (R)			143,96			138,98	138,64

(1) *This represents the difference between Liberty Group Limited's share of the net asset value of L2D as at the reporting date and the listed price of L2D shares multiplied by the number of shares in issue to Liberty Group Limited at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the Shareholder Investment Portfolio.*

At 30 June 2018 this adjustment was applied at a Liberty Holdings level. As a result of the transaction between L2D and Liberty Group Limited in the latter part of 2018 and the consequential reassessment of control as defined under IFRS, this adjustment was required at a Liberty Group Limited consolidated level from 31 December 2018.

(2) *Dividends paid by Liberty Group Limited to Liberty Holdings Limited.*

(3) *This adjustment and the consequential impact on the components of the embedded value earnings analysis were explained in section 1 of the 31 December 2018 South African Covered Business Embedded Value Report.*

GROUP EQUITY VALUE REPORT (CONTINUED)

for the six months ended 30 June 2019

3. Normalised group equity value (continued)

3.3 Sources of normalised group equity value earnings

Rm	Unaudited 30 June 2019 SA covered business	Unaudited 30 June 2019 Other businesses	Unaudited 30 June 2019 Total	New basis Unaudited 30 June 2018 SA covered business	New basis Unaudited 30 June 2018 Other businesses	New basis Unaudited 30 June 2018 Total	Audited 12 months 31 December 2018 Total
Value of new business written in the period	156	15	171	137	5	142	371
Expected return on value of in-force business	1 174		1 174	1 240		1 240	2 433
Variances/changes in operating assumptions	(145)		(145)	140		140	507
Operating experience variances	(139)		(139)	162		162	423
Operating assumption changes	6		6	(15)		(15)	103
Changes in modelling methodology	(12)		(12)	(7)		(7)	(19)
Development costs	(7)	(5)	(12)		(31)	(31)	(108)
Liberty Holdings shareholder expenses[1]		106	106		(200)	(200)	(369)
Headline earnings of other businesses/intragroup transfers		176	176		135	135	246
Operational equity value profits	1 178	292	1 470	1 517	(91)	1 426	3 080
Economic adjustments	1 152	105	1 257	(680)	209	(471)	(1 056)
Return on net worth	656	105	761	183	209	392	419
Investment variances	(24)		(24)	(551)		(551)	(1 225)
Change in economic assumptions	520		520	(312)		(312)	(250)
Change in fair value adjustments on value of other businesses[2]		(140)	(140)		(6)	(6)	(526)
Change in allowance for share rights	9	13	22	(26)	(11)	(37)	(10)
Group equity value earnings	2 339	270	2 609	811	101	912	1 488

[1] *This includes the actual shareholder expenses incurred by Liberty Holdings of R74 million (31 December 2018: R223 million, 30 June 2018: R121 million) plus the change in the allowance for future shareholder expenses over the period.*

[2] *The negative R140 million comprises operations under ownership review remeasurement of negative R125 million and R15 million Liberty Africa Insurance value of new business offset.*

GROUP EQUITY VALUE REPORT (CONTINUED)

for the six months ended 30 June 2019

3. Normalised group equity value (continued)

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

Rm (unless otherwise stated)	Unaudited 30 June 2019	New basis Unaudited 30 June 2018	Audited 12 months 31 December 2018
South African covered business			
SA Retail	**842**	788	1 710
Traditional Life	**733**	706	1 530
Direct Channel	**56**	37	82
Credit Life	**53**	45	98
Liberty Corporate	**73**	66	168
Gross value of new business	**915**	854	1 878
Overhead acquisition (including underwriting) costs impact on value of new business	**(665)**	(627)	(1 341)
Cost of required capital	**(94)**	(90)	(193)
Net value of South African covered business	**156**	137	344
Present value of future expected premiums	**18 943**	20 045	42 417
Margin (%)	**0,8**	0,7	0,8
Liberty Africa Insurance			
Net value of new business	**15**	5	27
Present value of future expected premiums	**482**	405	972
Margin (%)	**3,1**	1,3	2,8
Total group net value of new business	**171**	142	371
Total group margin (%)	**0,9**	0,7	0,9

LONG-TERM INSURANCE NEW BUSINESS

for the six months ended 30 June 2019

Rm (Unaudited)	30 June 2019	30 June 2018	12 months 31 December 2018
Sources of insurance operations total new business by product type			
Retail	**12 310**	12 280	26 641
Single	**10 062**	10 080	22 131
Recurring	**2 248**	2 200	4 510
Institutional	**1 107**	1 045	2 377
Single	**555**	533	1 166
Recurring	**552**	512	1 211
Total new business	**13 417**	13 325	29 018
Single	**10 617**	10 613	23 297
Recurring	**2 800**	2 712	5 721
Insurance indexed new business	**3 862**	3 773	8 051
Sources of insurance indexed new business			
SA Retail	**3 130**	3 111	6 495
Liberty Corporate	**504**	516	1 192
Liberty Africa Insurance[1]	**228**	146	364

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

The difference between the single premiums reported under total long-term insurance premiums and single premiums reported under long-term insurance new business by distribution channel arises mainly from different treatment for extensions of matured policies, reinvestment of fund withdrawals, conversions of standalone funds to umbrella funds and fund member movements within Liberty administered funds.

LONG-TERM INSURANCE NET CUSTOMER CASH FLOWS

for the six months ended 30 June 2019

Rm	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 12 months 31 December 2018
Net premiums by product type			
Retail	**20 986**	20 609	43 553
Single	**9 933**	9 857	21 836
Recurring	**11 053**	10 752	21 717
Institutional	**5 673**	5 454	11 522
Single	**881**	799	2 062
Recurring	**4 792**	4 655	9 460
Net premium income from insurance contracts and inflows from investment contracts	**26 659**	26 063	55 075
Single	**10 814**	10 656	23 898
Recurring	**15 845**	15 407	31 177
Net claims and policyholders benefits by product type			
Retail	**(21 224)**	(19 747)	(41 263)
Death and disability claims	**(3 845)**	(3 596)	(7 277)
Policy surrender and maturity claims	**(13 921)**	(12 991)	(27 579)
Annuity payments	**(3 458)**	(3 160)	(6 407)
Institutional	**(6 000)**	(6 054)	(11 811)
Death and disability claims	**(1 174)**	(1 098)	(2 285)
Scheme terminations and member withdrawals	**(4 429)**	(4 565)	(8 726)
Annuity payments	**(397)**	(391)	(800)
Net claims and policyholders benefits	**(27 224)**	(25 801)	(53 074)
Long-term insurance net customer cash flows[1]	**(565)**	262	2 001
Rm (Unaudited)			
Sources of insurance operations net cash flows:			
SA Retail	**(513)**	750	2 065
Liberty Corporate	**(418)**	(689)	(449)
Liberty Africa Insurance[2]	**366**	201	385

[1] *This excludes net cash outflows attributed to the off balance sheet GateWay LISP of R103 million (31 December 2018: inflows of R524 million, 30 June 2018: inflows of R242 million).*

[2] *Liberty owns less than 100% of certain 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 30 June 2019

Rbn (Unaudited)	30 June 2019	30 June 2018	31 December 2018
Managed by group business units	726	684	682
STANLIB South Africa[4]	566	559	529
STANLIB Africa[2]	51	50	51
LibFin Markets	68	61	65
Other internal managers[4]	41	14	37
Externally managed	32	35	36
Total assets under management[3]	**758**	**719**	**718**

(1) *Includes funds under administration.*

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

(3) *Included in total assets under management are the following LISP June 2019 amounts:*

Unit trusts listed (Rbn)	STANLIB managed	Other managed	Total
STANLIB	38	92	130
Gateway	4	5	9

(4) *31 December 2018 has been adjusted to reflect the transfer of property assets managed by L2D.*

ASSET MANAGEMENT NET EXTERNAL CUSTOMER CASH FLOWS

for the six months ended 30 June 2019

Rm (Unaudited)	30 June 2019	30 June 2018	12 months 31 December 2018
STANLIB South Africa			
Non-money market	9 751	8 949	9 155
Retail	4 498	5 479	6 146
Institutional	5 253	3 470	3 009
Money market	3 499	(549)	6 994
Retail	355	(352)	(48)
Institutional	3 144	(197)	7 042
Net cash inflows	13 250	8 400	16 149
STANLIB Africa			
Non-money market	(1 997)	(6 164)	(7 696)
Retail	88	285	19
Institutional	(2 085)	(6 449)	(7 715)
Money market	(309)	(830)	(868)
Net cash outflows	(2 306)	(6 994)	(8 564)
Total cash inflows from asset management	10 944	1 406	7 585

SHORT-TERM INSURANCE INDICATORS

for the six months ended 30 June 2019

Rm	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 12 months 31 December 2018
Net premiums	770	634	1 347
Liberty Health – medical risk	459	387	808
Liberty Africa Insurance – motor, property, medical and other	311	247	539
Net claims	(480)	(447)	(943)
Liberty Health – medical risk	(348)	(307)	(650)
Liberty Africa Insurance – motor, property, medical and other	(132)	(140)	(293)
Net cash inflows from short-term insurance	290	187	404
Unaudited			
Claims loss ratio (%)			
Liberty Health	76	79	80
Liberty Africa Insurance	42	57	54
Combined loss ratio (%)			
Liberty Health	111	112	117
Liberty Africa Insurance	93	111	108

CAPITAL COMMITMENTS

as at 30 June 2019

Rm	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 12 months 31 December 2018
Equipment	417	471	543
Investment and owner-occupied property	1 110	1 418	1 497
Committed capital[1]	1 167	1 382	1 337
Total capital commitments	2 694	3 271	3 377
Under contracts	977	617	808
Authorised by the directors but not contracted	1 717	2 654	2 569

[1] *Liberty has committed capital to certain infrastructure and development funds through consolidated mutual fund subsidiaries. The committed funds are only drawn down when required.*

The above 2019 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds and R431 million (31 December 2018: R482 million, 30 June 2018: R442 million) from non-controlling interests in respect of investment properties.

RETIREMENT BENEFIT OBLIGATIONS

as at 30 June 2019

Unaudited

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 30 June 2019, the Liberty post-retirement medical aid benefit liability was R471 million (31 December 2018: R471 million).

Defined benefit retirement fund

The group operates a defined benefit pension scheme on behalf of employees. The fund is closed to new membership and is well funded.

RELATED PARTIES

for the six months ended 30 June 2019

Unaudited

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 30 June 2019 financial period:

1. Summary of related party transactions with Standard Bank

1.1 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 2019	20 618	3 687	1,29
Purchases	2 499	480	
Sales	(3 258)	(612)	
Fair value adjustments		351	
Balance at 30 June 2019	**19 859**	**3 906**	**1,25**

1.2 Bancassurance

Liberty has extended the bancassurance business agreements with 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 for the six months ended 30 June 2019 amounted to R3 847 million (2018: R8 895 million). In terms of the agreements, Liberty's group subsidiaries pay 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 30 June 2019 is R690 million (31 December 2018: R1 266 million).

The bancassurance business agreements are evergreen agreements with a 24-month notice period for termination – as at the date of the approval of these financial statements, neither party had given notice.

1.3 Purchases and sales of financial instruments

As per Liberty's 2018 group annual financial statements, in the normal course of conducting business, Liberty deposits cash with Standard Bank, purchases and sells financial instruments issued by Standard Bank and enters into sale and repurchase agreements and 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.

1.4 Business operations contracted sale to Standard Bank

On 27 February 2019, Liberty Holdings Limited entered into a sale and purchase agreement with the Standard Bank of South Africa to dispose 100% of the technology that supports and enables its short-term insurance business, which is operated as a division of Liberty Holdings Limited, including all moveable assets used and intellectual property. The purchase consideration was R148 million, which realised a full recovery of the capitalised asset as at 31 December 2018 of R94 million and a partial past expense recovery of R54 million.

2. Other related party transaction – Liberty Two Degrees (L2D)

During 2018, L2D was restructured and at the same time, purchased an additional share in the group's property portfolio, for which a portion of the funding was obtained from Standard Bank. As at 30 June 2019, the balance owing is R831 million (31 December 2018: R860 million). Interest paid for the six months ending 30 June 2019 is R37 million (2018 full year: R13 million). L2D Group entered into a revolving credit facility with Standard Bank, effective 1 November 2018. The balance outstanding at 30 June 2019 is R70 million (31 December 2018: R99 million). Interest paid for the six months ended is R3 million (2018 full year: R2 million).

DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

as at 30 June 2019

Unaudited

As part of the strategy refresh exercise conducted during 2018, various cash-generating units were identified as either sub-scale or no longer applicable to Liberty's revised strategy. Consequently the board approved a process of disposals and strategic partnership negotiations which is highly probable to lead to loss of control of these cash-generating units during 2019.

The disposal of one operation, being the short-term insurance technology start-up has been concluded in the period under review.

The cash-generating units remaining as held for sale are asset management operations in Ghana, Uganda, Kenya and Botswana, Health risk solutions and short-term insurance in Malawi.

Based on the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities have been disclosed as disposal groups, and are separately disclosed on the statement of financial position. The disposal groups are measured at the lower of carrying amount and fair value less costs to sell, which lead to various impairments, as set out below:

30 June 2019 **Rm**	Gross	Fair value adjustment	Net
Total assets classified as held for sale	908	(168)	740
Total liabilities classified as held for sale	256		256
Net assets of disposal groups held for sale	**652**	**(168)**	**484**

OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

as at 30 June 2019

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*. The table below sets out the nature of agreements and the types of rights relating to items which do not qualify for offset but that are subject to a master netting arrangement (MNA) or similar agreement.

	NATURE OF AGREEMENT	RELATED RIGHTS
Derivative assets and liabilities	International swaps and derivatives associations	The agreement allows for offset in the event of default
Repurchase agreements	Global master repurchase agreements	
Collateral deposits payable	Global master securities lending arrangements	

Rm (Unaudited)	**Total**	**Not subject to MNA or similar agreements**	**Subject to MNA or similar agreements**	**Financial collateral[(1)]**	**Net**
30 June 2019					
Assets					
Assets held for trading and for hedging	10 436	(1 343)	9 093	(8 070)	1 023
Total assets	10 436	(1 343)	9 093	(8 070)	1 023
Liabilities					
Liabilities held for trading and for hedging	8 398	(298)	8 100	(8 078)	22
Repurchase agreements liabilities	3 310		3 310	(3 271)	39
Collateral deposits payable	4 960		4 960	(4 960)	
Total liabilities	16 668	(298)	16 370	(16 309)	61

Rm (Unaudited)	Total	Not subject to MNA or similar agreements	Subject to MNA or similar agreements	Financial collateral[(1)]	Net
30 June 2018					
Assets					
Assets held for trading and for hedging	9 757	(1 727)	8 030	(7 751)	279
Total assets	9 757	(1 727)	8 030	(7 751)	279
Liabilities					
Liabilities held for trading and for hedging	8 591	(147)	8 444	(7 751)	693
Repurchase agreements liabilities	6 404		6 404	(6 404)	
Collateral deposits payable	4 857		4 857	(4 857)	
Total liabilities	19 852	(147)	19 705	(19 012)	693

Rm (Audited)	Total	Not subject to MNA or similar agreements	Subject to MNA or similar agreements	Financial collateral[(1)]	Net
31 December 2018					
Assets					
Assets held for trading and for hedging	10 340	(1 496)	8 844	(8 008)	836
Total assets	10 340	(1 496)	8 844	(8 008)	836
Liabilities					
Liabilities held for trading and for hedging	8 457	(133)	8 324	(8 008)	316
Repurchase agreements liabilities	5 771		5 771	(5 680)	91
Collateral deposits payable	5 976		5 976	(5 976)	
Total liabilities	20 204	(133)	20 071	(19 664)	407

(1) *Financial collateral relates to these instruments that are subject to MNA or similar agreements.*

ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS UNDER IFRS 9

as at 30 June 2019

The tables below reflect the classification of the group's financial assets and financial liabilities split into the IFRS 9 measurement categories. The financial assets categories have been determined based on the contractual cash flow characteristics and business model of the entity. Other measurement basis refers to equity accounting under IAS 28 or balances under IFRS 4.

	Fair value through profit or loss							
Rm (Unaudited)	**Held for trading and hedging**	**Desig-nated**	**Default**	**Fair value through other compre-hensive income**	**Total fair value**	**Amortised cost**	**Other measurement basis**	**Total per statement of financial position**
30 June 2019								
Financial assets								
Interests in joint ventures			1 296		1 296		54	1 350
Interests in associates			15 069		15 069		9	15 078
Financial investments		2 753	325 631	18 706	347 090			347 090
Loan receivables			699		699	415		1 114
Assets held for hedging and for trading	10 436				10 436			10 436
Repurchase agreements, scrip and collateral assets			8 708		8 708			8 708
Prepayments, insurance and other receivables			4 090		4 090	775	1 504	6 369
Cash and cash equivalents			10 202		10 202	4 183		14 385
Total financial assets	10 436	2 753	365 695	18 706	397 590	5 373	1 567	404 530
Financial liabilities								
Financial liabilities under investment contracts		105 337			105 337			105 337
Third-party financial liabilities arising on consolidation of mutual funds		53 462			53 462			53 462
Financial liabilities		5 675			5 675	1 845		7 520
Liabilities held for trading and for hedging	8 398				8 398			8 398
Repurchase agreements liabilities and collateral deposits payable		8 270			8 270			8 270
Insurance and other payables		6 558			6 558	918	7 019	14 495
Total financial liabilities	8 398	179 302			187 700	2 763	7 019	197 482

ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS UNDER IFRS 9 (continued)

as at 30 June 2019

Rm (Audited)	Fair value through profit or loss: Held for trading and hedging	Fair value through profit or loss: Designated	Fair value through profit or loss: Default	Fair value through other comprehensive income	Total fair value	Amortised cost	Other measurement basis	Total per statement of financial position
31 December 2018								
Financial assets								
Interests in joint ventures			1 297		1 297		56	1 353
Interests in associates			13 824		13 824		10	13 834
Financial investments		2 486	308 339	16 803	327 628			327 628
Loan receivables			737		737	340		1 077
Assets held for hedging and for trading	10 340				10 340			10 340
Repurchase agreements, scrip and collateral assets			12 658		12 658			12 658
Prepayments, insurance and other receivables			3 037		3 037	664	1 252	4 953
Cash and cash equivalents			10 024		10 024	6 950		16 974
Total financial assets	10 340	2 486	349 916	16 803	379 545	7 954	1 318	388 817
Financial liabilities								
Financial liabilities under investment contracts		99 813			99 813			99 813
Third-party financial liabilities arising on consolidation of mutual funds		48 186			48 186			48 186
Financial liabilities		6 478			6 478	1 626		8 104
Liabilities held for trading and for hedging	8 457				8 457			8 457
Repurchase agreements liabilities and collateral deposits payable		11 747			11 747			11 747
Insurance and other payables		4 628			4 628	708	6 635	11 971
Total financial liabilities	8 457	170 852			179 309	2 334	6 635	188 278

CHANGES IN PRESENTATION AND ACCOUNTING POLICIES

as at 30 June 2019

1. Changes in presentation policies

Change in presentation policy due to IFRS 9

The group reassessed its accounting presentation policy of all IFRS 9 related transactions for the year ended 31 December 2018. As part of the IFRS 9 implementation, all income statement movements on financial instruments measured at fair value through profit or loss, including interest income, dividends and finance costs, were presented as fair value adjustments for the year ended 31 December 2018. Consequently in the presentation of the cash flow statement, the receipts and payments for these items are disclosed as proceeds or repayments of the financial instruments and are not separately presented as interest received, dividends received and finance costs. The group also adopted certain consequential amendments to IAS 1 *Presentation of Financial Statements* arising from IFRS 9 which requires the disclosure of interest income on financial assets using on the effective interest rate method.

Change in presentation of the cash flow statement

Following a comprehensive review of the group's long-term insurance business model, the enterprise risk management framework and consideration of the new regulatory capital regime effective 1 July 2018, the group considered the appropriateness of cash flows relating to investment portfolios backing policyholder liabilities and supporting regulatory and group risk adjusted minimum capital levels for the year ended 31 December 2018. It was determined that these would be better reflected as cash flows from operating activities rather than as previously reflected as cash flows from investing activities.

These changes were accounted for in the annual financial statements for the year ended 31 December 2018. The table below reflects the specific line items that are impacted by the changes in presentation policies for the six months ended 30 June 2018.

30 June 2018 Rm (Unaudited)	Prior to adoption of change in presentation policies	Impact of change in presentation policies	Including the change in presentation policies (restated)
Statement of comprehensive income line item			
Investment income	10 306	(8 751)	1 555
Interest income on financial assets using the effective interest rate method		651	651
Investment losses	(2 312)	2 312	
Fair value adjustment to assets held at fair value through profit or loss		5 788	5 788
Fair value adjustment to financial liabilities	(270)	(364)	(634)
Finance costs	(408)	364	(44)
Statement of cash flow line item			
Cash flow from operating activities	(9 982)	3 400	(6 582)
Cash utilised by operations	(14 476)	30	(14 446)
Interest and dividends received	8 781	(8 130)	651
Net disposal of financial investments		11 118	11 118
Net disposal/(purchase) of other assets		(104)	(104)
(Repayments of)/deposits received on collateral deposits payable		122	122
Other operating cash flows	(548)	364	(184)
Cash flows from investing activities	3 011	(3 241)	(230)
Net disposal of financial investments	2 950	(2 914)	36
Deposits received on collateral deposits payable	327	(327)	
Cash flows from financing activities	1 712	(159)	1 553
Net proceeds on repurchase agreements liabilities	1 837	(159)	1 678

There was no change to earnings per share or net asset value as a result of these changes in presentation.

CHANGES IN PRESENTATION AND ACCOUNTING POLICIES

as at 30 June 2019

2. Adoption of IFRS 16 *Leases*

The group applied IFRS 16 retrospectively from 1 January 2019, using the modified retrospective approach. Comparatives are not restated under this approach. Consequently there was no impact to opening retained earnings on adoption of IFRS 16.

Depreciation on the right-of-use asset and finance costs on the finance lease liability is recognised in the income statement, rather than the previously recognised operating lease charges (under IAS 17). The net impact to earnings for the six months ended 30 June 2019 resulting from the difference between operating lease charges under IAS 17 and the IFRS 16 income statement expenses (deprecation and finance costs) is not significant (less than R30 million). As the impact is immaterial, disclosure on the impact of earnings per share has not been provided.

In applying IFRS 16 for the first time, the group used certain practical expedients permitted by the standard, namely a single discount rate for leases with reasonably similar characteristics and the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The total discounted operating lease commitments and anticipated lease extensions for properties as at 31 December 2018 amounted to R282 million. The rates applied to discount the operating lease commitments are at the group's incremental borrowing rates which ranged from 7 – 18%, due to the multiple jurisdictions the group operates within.

Right-of-use property asset cost movement to 30 June 2019	**Rm (Unaudited)**
Recognised on 1 January 2019	282
Balance at 30 June 2019	**282**

Right-of-use property asset accumulated depreciation movement to 30 June 2019	**Rm (Unaudited)**
Depreciation	47
Balance at 30 June 2019	**47**

Lease liability movement to 30 June 2019	**Rm (Unaudited)**
Recognised on 1 January 2019	282
Finance costs	12
Repayments	(47)
Balance at 30 June 2019	**247**

Minimum lease payments receivable

Rm (Unaudited)	**30 June 2019**	**31 December 2018**
Maturity analysis of undiscounted rental income from investment properties		
Up to 1 year	2 527	2 513
Between 1 and 2 years	2 060	2 120
Between 2 and 3 years	1 633	1 737
Between 3 and 4 years	873	910
Between 4 and 5 years	583	499
Over 5 years	2 164	2 267
	9 840	10 046

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