LIBERTY GROUP LIMITED

2014 AUDITED GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

Contents

Preparation of annual financial statements

The annual financial statements of the Liberty Group Limited group and company for the year ended 31 December 2014 were:

Prepared by: Melanie Natsas CA (SA)
Luiz Torres CA (SA)
Maryane Taylor CA (SA)

Supervised by: Jeff Hubbard BCom CA (SA)

These financial statements have been audited by PricewaterhouseCoopers Inc. in accordance with the requirements of the Companies Act No. 71 of 2008.

Directorate and administration

Directors

AWB Band *(Lead independent director)*
SL Botha
SIM Braudo
AP Cunningham
T Dloti
JB Hemphill
MW Hlahla
MG Ilsley *(Appointed 1 November 2014)*
SJ Macozoma *(Chairman) (Resigned 31 December 2014)*
JH Maree *(Chairman) (Appointed 19 January 2015)*
MP Moyo
TDA Ross
SP Sibisi
JH Sutcliffe
CG Troskie
BS Tshabalala
SK Tshabalala

Company Secretary

J Parratt

Business address and registered office

Liberty Life Centre, 1 Ameshoff Street, Braamfontein 2001
PO Box 10499 Johannesburg 2000

Statutory Actuary

D Jewell
Liberty Life Centre, 1 Ameshoff Street, Braamfontein, 2001

Auditors

PricewaterhouseCoopers Inc.
Registered Auditors
Private Bag X36, Sunninghill, 2157

PricewaterhouseCoopers Incorporated will continue in office in accordance with section 270(2) of the Companies Act.

Registration number

1957/002788/06
Incorporated in Republic of South Africa

Directors' approval

In accordance with Companies Act requirements, the financial statements, which conform with International Financial Reporting Standards (IFRS), fairly present the state of affairs of the group and the company as at the end of the financial year, and the net income and cash flows for the year. It is the responsibility of the independent auditors to report on the fair presentation of the annual financial statements. Their report is contained on page 4.

The directors are ultimately responsible for the internal controls of the group. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for shareholder investments and group assets. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Systems and controls are monitored throughout the group. Greater details of such, including the operation of the internal audit function, is provided in the governance and risk management sections of the Liberty Holdings Limited integrated annual report.

Based on the information and explanations given by management and the internal auditors, the directors are of the opinion that the accounting and internal controls are adequate and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the group, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the group and the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, accounting policies supported by judgements, estimates, and assumptions in compliance with IFRS are applied on the basis that the group shall continue as a going concern.

The financial statements of the group and the company for the year ended 31 December 2014, were approved by the board of directors on 25 February 2015 and signed on its behalf by:

Jacko Maree

JH Maree
Chairman

Thabo Dloti

T Dloti
Chief executive

Johannesburg
25 February 2015

Company secretary compliance statement

In terms of Section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, I certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act No. 71 of 2008 in respect of the year ended 31 December 2014, and that all such returns are true, correct and up to date.

J Parratt
Company secretary

Johannesburg
25 February 2015

Independent auditors' report

To the shareholder of Liberty Group Limited

We have audited the consolidated and separate financial statements of Liberty Group Limited set out on pages 15 to 151, which comprise the statement of financial position as at 31 December 2014, and the statements of comprehensive income, statements of changes in shareholders' funds and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The group's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Liberty Group Limited as at 31 December 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: **J Goncalves**
Registered Auditor

Johannesburg
25 February 2015

Report of the group audit and actuarial committee

The group audit and actuarial committee (GAAC) has been constituted in accordance with applicable legislation and regulations. The members of the GAAC are all independent non-executive directors of the group and company. Six scheduled meetings were held in 2014, four of which were the quarterly meetings in line with the scheduled board meetings. The other two meetings were held prior to the six monthly results determination in order to review assumptions used in the actuarial valuation of policyholder liabilities and embedded value and then recommend the assumption set, including any changes, to the board for approval. The group actuarial committee (GAC) was established in 2014 as a sub-committee of the GAAC to assist the GAAC in fulfilling its responsibilities relating to capital adequacy, the review of companies with actuarial guidance, the discharge of actuarially related obligations and the review of material statutory reporting to the Financial Services Board. The first meeting of the GAC was held in November 2014. These meetings enabled the members to fulfil their functions as prescribed by the Companies Act No. 71 of 2008 and the Long-term Insurance Act, 52 of 1998 and as recommended by King III.

The members of the GAAC were recommended by the board to shareholders and were formally appointed at the annual general meeting on 23 May 2014. The composition of the committee and details of their attendance at committee meetings are contained in the governance section of Liberty Holdings Limited 2014 integrated report. The committee executed its duties and responsibilities, in accordance with the terms of reference of its mandate. Details of the activities of the GAAC are contained in the corporate governance section on www.libertyholding.co.za/investor.

In order to execute his responsibilities, the chairman of the GAAC met separately during the course of the year with the head of group internal audit services, the statutory actuary, the group compliance officer, the chief risk officer, management and the external auditors. The chairman of the GAAC was also a member of the group risk committee during 2014 and attended all the meetings of the group risk committee held during the year under review.

Based on the information and explanations given by management and the internal auditors, the GAAC are of the opinion that the accounting and internal controls are adequate and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the GAAC to indicate that any breakdown in the functioning of these controls, resulting in material loss to the group and company, has occurred during the year and up to the date of this report.

The GAAC has satisfied itself that the auditors are independent of the group and company and thereby are able to conduct their audit functions without any influence from the group and company. The GAAC has also satisfied itself, through the assurance from the internal and external auditors, of the expertise, resources and experience of the group's finance function.

The GAAC has reviewed the 2014 consolidated and company financial statements and recommended these reports to the board for approval.

TDA Ross
Chairman
Group audit and actuarial committee

Johannesburg
25 February 2015

Report of the statutory actuary

for the year ended 31 December 2014

1. Statement of excess assets, liabilities & capital adequacy requirement

Published Reporting Basis (Liberty Group Limited)	**31 Dec 2014 Rm**	31 Dec 2013 Rm
Assets		
Total assets as per balance sheet	**328 302**	298 485
Less liabilities	**311 192**	283 142
Liabilities under insurance contracts	**194 377**	179 955
Liabilities under investment contracts with DPF	**8 632**	7 730
Liabilities under investment contracts	**80 833**	73 174
Other liabilities	**27 350**	22 283
Excess of assets over liabilities	**17 110**	15 343

Statutory Basis (Liberty Group Limited)	**31 Dec 2014 Rm**	31 Dec 2013 Rm
Assets		
Total assets	**319 834**	269 687
Less liabilities	**305 915**	258 012
Policyholder liabilities	**286 352**	243 861
Other liabilities	**19 563**	14 151
Excess of assets over liabilities	**13 919**	11 675
Represented by:		
Shareholders' funds	**13 919**	11 675
Capital adequacy requirement	**4 534**	4 601
Capital adequacy requirement: times covered	**3,07**	2,54

In regard to the financial position of the Long Term Insurance subsidiary of Liberty Group Limited (Frank Life), reliance has been placed on the actuarial investigation performed by the statutory actuary of that company. He has certified that assets are sufficient to meet the liabilities that will emerge under existing policies and to cover the capital adequacy requirement of that company.

I have conducted an investigation into the financial position of Liberty Group Limited at 31 December 2014. I certify that:

- the valuation on the Statutory basis of Liberty Group Limited as at 31 December 2014, the results of which are summarised above, has been conducted in accordance with, and this Statutory Actuary's report has been produced in accordance with, applicable Actuarial Society of South Africa Standards of Actuarial Practice and Advisory Practice Notes; and
- Assets exceeded liabilities plus the Capital Adequacy Requirements at the valuation date;
- The company met the asset spreading requirements of the Long Term Insurance Act at the valuation date; and
- In my opinion the Company is financially sound at the valuation date and is expected to remain so for the foreseeable future, where financial soundness includes meeting the asset spreading requirements as prescribed by the Long Term Insurance Act.

D Jewell

D Jewell, FASSA
Statutory Actuary

Johannesburg
25 February 2015

2. Reconciliation of statutory basis to published reporting basis

Reconciliation of Excess Assets between Published Reporting Basis and Statutory Basis (Liberty Group Limited)	31 Dec 2014 Rm	31 Dec 2013 Rm
Excess of assets over liabilities – Statutory Basis	**13 919**	11 675
Excess of assets over liabilities – Published Reporting Basis	**17 110**	15 343
Difference	**(3 191)**	(3 668)
Items of difference	**(3 191)**	(3 668)
CAR requirements of subsidiaries	**(10)**	(10)
Adjustment of subsidiaries from cost to NAV	**(175)**	(460)
Debt instruments	**3 575**	3 074
Difference between published and statutory valuation methodologies	**(6 101)**	(5 624)
Inadmissable assets	**(480)**	(648)

For purposes of the published accounts, long term insurance subsidiaries are held at cost. For purposes of the statutory basis, long term insurance subsidiaries are held at net asset value, less the capital requirements of the subsidiary.

The amounts of (R6 101 million) and (R5 624 million) relate mainly to the elimination of negative Rand reserves on Lifestyle Protector business on the statutory valuation basis.

Inadmissible assets consist of intangible assets and pre-paid expenses.

3. Analysis of change in excess assets (published reporting basis)

Analysis of change in excess assets Published Reporting Basis (Liberty Group Limited)	31 Dec 2014 Rm	31 Dec 2013 Rm
Excess assets as at end of the period	**17 110**	15 343
Excess assets as at beginning of the year	**15 343**	11 887
Change in excess assets over the period	**1 767**	3 456
This change in excess assets is due to the following items:		
Investment return generated by shareholders' funds		
Investment income	**885**	3 146
Capital appreciation	**281**	(877)
Total investment return	**1 166**	2 269
Operating profit	**2 289**	2 573
Changes in valuation bases/methods/assumptions	**108**	(144)
Shareholders' tax	**8**	(61)
Management expenses	**(552)**	(456)
Total earnings	**3 019**	4 181
BEE preference dividends	**153**	171
Dividends paid	**(1 290)**	(1 653)
Share-based payments	**74**	53
Funding of Restricted Share Plan	**(117)**	(50)
Cash flow hedging reserve	**(93)**	(132)
Post-retirement obligations	**21**	36
Life Licence Rationalisation		850
Total change in excess assets	**1 767**	3 456

4. Description of published reporting basis

4.1 Assets

Investments have been valued as set out in the accounting policies.

4.2 Insurance Contracts and Investment Contracts with Discretionary Participation Features

Provision has been made for the best estimate of future experience, plus compulsory margins as required in terms of guidance note SAP104 issued by the Actuarial Society of South Africa. In addition, selected discretionary margins are held.

The best estimate assumptions relating to future mortality, morbidity, withdrawals and maintenance expenses were derived from and are consistent with recent experience. Detailed experience investigations were carried out during 2014 and reflect the experience of policies up to 30 September 2014. Future maintenance expenses have been set according to the Liberty group cost per policy basis. In setting the assumptions, provision was made for expected AIDS-related claims and for the effect of future inflation in maintenance expenses at 5.06% p.a. (31 December 2013: 5.15% p.a.) or 5.57% p.a. after the addition of the prescribed margin.

Future investment returns were related to the medium-term government stock interest rate prevailing at the valuation date and were set at 9.70% p.a. (31 December 2013: 9.82% p.a.) taking into account the asset mix of the fund. The before-tax discount rates were set at the same rates. Future tax and tax relief were allowed for at rates and on bases applicable to Section 29A of the Income Tax Act and full allowance has been made for capital gains tax. Provision was made for capital gains tax on unrealised gains at the valuation date at the full undiscounted value.

The best estimate assumptions were strengthened by the addition of compulsory margins. Further discretionary margins were added so that the shareholders' participation in profits emerges in the year in which it is earned and that profit emerges in line with product design. These discretionary margins include:

- An allowance for the shareholders' participation in the reversionary and terminal bonus expected to be declared each year in respect of with profits business;
- An allowance for the shareholders' participation in the bonus expected to be declared and a portion of the management fees levied under certain classes of market related business;
- For certain classes of business where limited experience is available for the purpose of setting best estimate assumptions, prudent assumptions have been set for mortality and withdrawal rates.

Individual market related policies are policies where benefits are dependent on the performance of underlying investment portfolios (including business with smoothed bonuses). Liabilities for such policies were calculated as the aggregate value of the policies' investment in the investment portfolio at the valuation date (the 'unit reserve'), less a 'Rand reserve' which is calculated on a policy by policy cash flow basis. The 'Rand reserve' is the excess of the present value of the expected future risk and expense charges over the present value of the expected future risk benefits and expenses.

Reversionary bonus and the major non-profit classes of policies were valued by discounting the expected future cash flows at a market related rate of interest reduced by an allowance for investment expenses and the relevant compulsory margin.

Policyholder reasonable benefit expectations have been allowed for as follows:

- In respect of reversionary bonus business by allowing for future bonus at the latest declared rates;
- In respect of market related business by assuming a bonus rate supported by the investment returns assumed in the valuation; and
- Taking into account expectations created by legislation, marketing literature, actual past practice and industry norms.

In respect of with-profit business where bonuses are smoothed, bonus stabilisation reserves are held arising from the past difference between the after-tax investment performance of the assets net of the relevant management fees and the quantum of bonuses declared. The total of the stabilisation reserves amounted to R3 996 million as at 31 December 2014 (R5 103 million as at 31 December 2013).

4.3 Investment Contracts without Discretionary Participation Features

All financial liabilities included in investment contract liabilities without discretionary participation features were held at fair value in accordance with IAS 39.

4. Description of published reporting basis (continued)

4.4 Minimum Investment Return Guarantees

A reserve for minimum investment return guarantees is held, calculated on a stochastic basis using Monte Carlo simulation techniques in accordance with APN110.

Using the simulated investment returns, the prices and implied volatilities of the following instruments are as follows:

Vanilla Options

Maturity (years)	Strike	Underlying	Price December 2014	Price December 2013	Implied Volatilities December 2014	Implied Volatilities December 2013
1	Spot	Equity Index	**5,75%**	6,01%	**19,35%**	18,91%
1	0.8*Spot	Equity Index	**1,31%**	1,49%	**23,24%**	23,57%
1	Forward	Equity Index	**7,25%**	7,10%	**18,71%**	18,34%
5	Spot	Equity Index	**8,53%**	8,76%	**23,28%**	23,64%
5	(1.04^5)*Spot	Equity Index	**15,32%**	15,40%	**22,28%**	22,36%
5	Forward	Equity Index	**17,04%**	17,02%	**22,09%**	22,14%
20	Spot	Equity Index	**3,58%**	2,67%	**29,45%**	28,60%
20	(1.04^{20})*Spot	Equity Index	**15,61%**	12,26%	**31,02%**	29,61%
20	Forward	Equity Index	**30,63%**	29,37%	**32,05%**	30,51%

"Other" Options

Maturity (years)	Strike	Underlying	Price December 2014	Price December 2013
5	(1.04^5)*Spot	60% Equity Index, 40% Bond Index with annual rebalancing	**7,00%**	6,66%
20	Forward	Simulated 5 year spot rate in 20 years time	**0,53%**	0,41%

The zero coupon yield curve used in the asset projections was as follows:

Yield Curve

Maturity (years)	Yield (NACC) December 2014	Yield (NACC) December 2013
1	**6,41%**	5,51%
2	**6,77%**	6,12%
3	**7,02%**	6,64%
4	**7,21%**	7,06%
5	**7,37%**	7,41%
10	**8,05%**	8,45%
15	**8,64%**	9,21%
20	**8,74%**	9,28%
25	**8,46%**	9,17%
30	**8,22%**	8,97%
35	**8,26%**	9,00%
40	**8,29%**	9,02%
45	**8,21%**	8,94%
50	**8,12%**	8,86%

5. Capital adequacy

Investigations were carried out to determine the amount of the capital adequacy requirement (CAR) which provides for adverse variations in experience, including allowance for mortality experience arising from the AIDS pandemic. These investigations were carried out in terms of the guidance notes issued by the Actuarial Society of South Africa.

In the calculation of the investment resilience element of the capital adequacy requirement, it was assumed that equity asset values would decline by 30%, property values by 15% and fixed interest asset values would increase by an amount consistent with a fall in yields of 25% of the yield at the valuation date.

In calculating the TCAR, allowance has been made for the investment guarantee reserve to be released when policies surrender. In addition, it is assumed that only 50% of commission is recovered from intermediaries on surrender.

In calculating the OCAR, the resilience requirement includes the effect of the asset shocks described above on the investment guarantee reserve held in accordance with the latest APN110 guidance. In addition, allowance has been made for credit risk and operational risk in accordance with the latest version of SAP104.

In calculating the capital adequacy requirement it has been assumed that, in the investment resilience scenario, discretionary margins on Lifestyle Protector would be set up only to the extent as calculated if no allowance for automatic contribution increases were made.

I certify that the management action assumed above has been approved by specific resolution by the board of directors and that I am satisfied that this action would be taken if solvency were to be threatened.

In the calculation of CAR, the Termination capital adequacy requirement (TCAR) amounted to R4 262 million and the ordinary capital adequacy requirement (OCAR) was calculated as R4 534 million, and thus the capital adequacy requirement has been based on the OCAR calculation.

I am satisfied that the excess of assets over liabilities is sufficient to meet the capital adequacy requirement which amounted to R4 534 million at 31 December 2014 (R4 601 million at 31 December 2013).

6. Material changes in published valuation basis since the previous valuation

Modelling and other changes were made to the valuation to re-align valuation assumptions with expected future experience. These changes resulted in a decrease of actuarial liabilities of R108 million.

Basis/assumption change	December 2014 Rm	December 2013 Rm
Economic valuation assumptions	**15**	(187)
Mortality valuation assumptions	**72**	5
Persistency	**121**	(96)
Tax relief on expenses	**4**	16
Modelling and other changes	**(104)**	118
Total	**108**	(144)

Directors' report

Main business activities

Liberty Group Limited is the holding company of various operating subsidiaries engaged in the provision of financial services including long-term insurance and investment services. These financial services are primarily undertaken in South Africa, with some levels of services being provided in other countries on the African continent.

Liberty Group Limited is incorporated in the Republic of South Africa and is 100% owned by Liberty Holdings Limited.

Review of results

Ordinary shareholders' attributable earnings for the group were R3 395 million, compared to R3 472 million in 2013. Detailed commentary on the 2014 financial results is contained in the various notes throughout this report, commencing on page 45. The results are materially affected by actuarial valuations of policyholder liabilities. These valuations are undertaken under South African actuarial practice and guidance.

Going concern

The financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The directors have a reasonable expectation, based on an appropriate assessment of a comprehensive range of factors, that the company and its various subsidiaries have adequate resources to continue as going concerns for the foreseeable future and at least for the next financial reporting period ending 31 December 2015.

Accounting policies

The 2014 annual financial statements of Liberty Group have been prepared in accordance with and containing information required by International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and comply with 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.

All significant accounting policies applied in the preparation of the group's 2014 annual financial results are contained in this report on pages 15 to 36.

Corporate governance

Liberty continues to report against the King III principles.

Compliance disclosures are included in the 2014 Liberty Holdings Limited integrated report in the Governance at Liberty section.

Share capital

There were no changes in the authorised share capital of the company during the financial year. Further details of the company's share capital are contained in note 27 to the group's annual financial statements.

Shareholder distributions

Ordinary shareholders

2013 final

On 26 February 2014, the directors declared an ordinary final dividend of R850 million to shareholders recorded at the close of business on 26 February 2014, which was paid on 20 March 2014.

2014 interim

On 7 August 2014, the directors declared an ordinary interim dividend of R440 million to shareholders recorded at the close of business on 7 August 2014 and was paid on 22 August 2014.

2014 final

On 25 February 2015, the directors declared an ordinary final dividend of R1 billion to shareholders recorded at the close of business on 25 February 2015 which will be paid on 1 April 2015.

Directorate and secretary

Mr MG Ilsley was appointed to the board on 1 November 2014. Mr SJ Macozoma resigned as director and chairman of the board on 31 December 2014. On 19 January 2015, Mr JH Maree was appointed as a director and chairman of the board.

Particulars of the board of directors and company secretary are contained on page 1.

The company secretary is Jill Parratt. The address of the company secretary is that of the registered office, namely Liberty Life Centre, 1 Ameshoff Street, Braamfontein, Johannesburg, 2000.

Non-executive directors' remuneration

The remuneration received by the non-executive directors is as follows:

Non-executive directors (R'000)	Directors of LHL and LGL	Committee fees	Directors of STANLIB Limited	Total Liberty Group	Other Standard Bank Group[1]	Total remuneration
2014						
AWB Band (Lead independent director)	**750**	**644**		**1 394**		**1 394**
SL Botha	**275**	**79**		**354**		**354**
AP Cunningham[2]	**1 698**			**1 698**		**1 698**
JB Hemphill[3]					**21 573**	**21 573**
MW Hlahla	**275**	**79**	**145**	**499**		**499**
MG Ilsley (appointed 1 November 2014)	**69**	**42**		**111**		**111**
SJ Macozoma (Resigned as chairman on 31 December 2014)	**2 332**			**2 332**	**1 282**	**3 614**
MP Moyo	**275**	**567**		**842**		**842**
TDA Ross	**275**	**823**		**1 098**		**1 098**
SP Sibisi	**275**	**166**		**441**		**441**
JH Sutcliffe[5]	**2 317**	**63**		**2 380**		**2 380**
BS Tshabalala	**275**	**225**	**145**	**645**	**505**	**1 150**
SK Tshabalala[6]					**24 761**	**24 761**
Total	**8 816**	**2 688**	**290**	**11 794**	**48 121**	**59 915**
2013						
AWB Band (Lead independent director)	300	713		1 013		1 013
SL Botha (appointed 19 August 2013)	104	19		123		123
AP Cunningham[2]	1 736	57		1 793		1 793
MW Hlahla	250	37	68	355		355
SJ Macozoma (Chairman)[4]	2 200			2 200	1 092	3 292
JH Maree[6] (resigned 7 March 2013)					2 842	2 842
MP Moyo	250	499		749		749
TDA Ross	250	790		1 040		1 040
SP Sibisi	250	156		406		406
JH Sutcliffe[5]	1 961	76		2 037		2 037
BS Tshabalala	250	234	137	621		621
SK Tshabalala[6] (appointed 2 April 2013)					28 682	28 682
PG Wharton-Hood[6] (resigned 14 August 2013)					6 101	6 101
Total	7 551	2 581	205	10 337	38 717	49 054

(1) *Other Standard Bank group is defined as Standard Bank Group Limited and its subsidiaries excluding Liberty.*

(2) *Mr AP Cunningham is an international director and receives a composite fee of £106 000 (2013: £100 000) as a member of the board, committees and subsidiary boards. 2013 rand equivalent is R1 698 000. In addition, during 2013, ad hoc committee and board, attendance fees of R57 000 were paid.*

(3) *Mr HB Hemphill was chief executive and an executive director until 28 February 2014, whereafter he transferred to Standard Bank group. He remains a director of Liberty in a non-executive capacity.*

(4) *The chairman of the board received a composite fee in lieu of committee fees and his services as a director of Liberty Holdings Limited, Liberty Group Limited and STANLIB Limited.*

(5) *Mr JH Stutcliffe is an international director and receives a composite fee of £127 000 (2013: £120 000) as a member of the board, committees, subsidiary boards and chairman of a committee. 2014 rand equivalent is R2 317 000. In addition ad hoc committee and board, attendance fees of R63 000 (2013: R76 000) were paid.*

(6) *Messrs JH Maree, SK Tshabalala, JB Hemphill and PG Wharton-Hood, whilst directors of Liberty, were full time employees of the Standard Bank group and therefore did not receive directors' fees or other remuneration from Liberty.*

Prescribed officers' remuneration

Remuneration, including incentives, is calculated pro rata to the period served as a prescribed officer. The presentation of the remuneration components below reflect the award values in relation to the performance period to which they relate. Not all components are immediately settled and are linked to the ordinary share price of Liberty Holdings Limited as well as being contingent to performance and service periods.

The remuneration received by prescribed officers are as follows:

	Fixed				Variable[1]			Long-term		
	Cash portion of package	Other benefits	Retirement contributions	Total fixed	Cash bonus	Deferred bonus	Total variable	Value of restricted shares/ rights granted[2]	Total LTI	Total compensation for the year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2014										
JB Hemphill[3] [4]	**781**	**28**	**50**	**859**						
CG Troskie[3]	**2 974**	**81**	**340**	**3 395**	**3 961**	**1 224**	**5 185**	**6 000**	**6 000**	**14 580**
T Dloti[3]	**4 698**	**116**	**409**	**5 223**	**6 747**	**3 082**	**9 829**	**9 000**	**9 000**	**24 052**
SIM Braudo[3]	**4 338**	**100**	**376**	**4 814**	**6 527**	**2 934**	**9 461**	**8 000**	**8 000**	**22 275**
Total	**12 791**	**325**	**1 175**	**14 291**	**17 235**	**7 240**	**24 475**	**23 000**	**23 000**	**61 766**
2013										
JB Hemphill[3]	4 657	160	295	5 112	8 350	4 150	12 500	9 400	9 400	27 012
CG Troskie[3]	2 798	81	306	3 185	4 500	1 583	6 083	8 000	8 000	17 268
T Dloti[3]	3 366	127	299	3 792	7 257	3 422	10 679	18 500	18 500	32 971
SIM Braudo	3 449	90	300	3 839	6 407	2 854	9 261	17 400	17 400	30 500
Total	14 270	458	1 200	15 928	26 514	12 009	38 523	53 300	53 300	107 751

(1) *In order to align incentive payments with the performance period to which they relate, the above variable remuneration relates to the year under review irrespective of when payment is made.*

(2) *Awards granted are valued using option pricing methodology and subject to performance conditions and service duration. Rights granted refer to the awards approved by the Remuneration Committee in February 2015 and 2014 in order to align to the performance periods of 2014 and 2013, respectively.*

(3) *Executive director.*

(4) *Resigned as Chief Executive on 28 February 2014.*

Direct and indirect interest of directors, including their families, in share capital

At 31 December 2014, the directors held interests, directly and indirectly, of 941 203 (2013: 519 277) ordinary shares in the holding company's issued share capital as detailed in the Governance at Liberty section of the 2014 Liberty Holdings Limited integrated report.

Information on ordinary share and restricted share rights to the holding company's ordinary shares granted to executive directors under the equity-settled remuneration schemes are contained in the Governance at Liberty section of the 2014 Liberty Holdings Limited integrated report.

There have been no changes to the interest of directors, including their families, in the share capital as disclosed above to the date of approval of the annual financial statements, namely 25 February 2015.

Ordinary share rights and restricted shares

Liberty Group Limited operates the following share incentive schemes, being the Liberty Holdings Group Restricted Share Plan (deferred and long-term), the Liberty Life Equity Growth Scheme and the Liberty Equity Growth Scheme.

An analysis of Liberty's obligations in respect of rights and ordinary shares awarded at 31 December 2014 is included in Appendix E of the Liberty Holdings Limited 2014 annual financial statements.

Contracts

Shareholders are referred to the directors' remuneration in the Governance at Liberty section and key management aggregate compensation related party disclosure in note 41.C to the group financial statements of 2014 Liberty Holdings Limited annual financial statements.

Property and equipment

There was no significant change in the nature of the fixed assets of the group or in the policy regarding their use during the year.

Holding company

At 31 December 2014, the group's holding company, Liberty Holding Limited, held 100% (2013: 100%) of Liberty Group Limited' s issued ordinary shares. The group's ultimate holding company, Standard Bank of South Africa Limited, held 100% of the issued redeemable preference shares.

Bancassurance

The Liberty group has joint business 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.

In terms of the agreements, Liberty's group subsidiaries pay profit shares to various Standard Bank operations with respect to business sourced from Standard Bank distribution and clients. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines.

The payment of the profit share to Standard Bank in South Africa was paid by way of a preference dividend from Liberty Group Limited.

The bancassurance agreements are evergreen agreements with a 24-month notice period for termination. As at the date of the approval of this report, neither party had given notice. As the bancassurance relationship provides commercial benefits to both Liberty and Standard Bank, a governance framework is in place to protect the interests of non-controlling shareholders.

Acquisitions and disposals during the year

There have been no significant business acquisitions or disposals during the reporting period.

Associates

The interests in associates, where considered significant in the light of the group's financial position and results, are set out in notes 13 to the group financial statements.

Subsidiaries

Details of the significant interests in directly owned subsidiary companies are contained in notes 8 and 9 to the Liberty Group Limited financial statements.

Special resolutions during the year 2014

No special resolutions were passed during the year.

Management by third parties

None of the businesses of the company or its subsidiaries had, during the financial year, been managed by a third party or a company in which a director had an interest.

Borrowing powers

In terms of the company's memorandum of incorporation the amount which the company may borrow is unlimited. However, any borrowings within the South African registered subsidiary life licence entities are subject to the Financial Services Board of South Africa's prior approval.

Liberty Group Limited issued R500 million of subordinated notes on 12 December 2014, bringing the total cumulative notes in issue to R3,5 billion.

Insurance

The Liberty Holdings Limited group has placed cover of up to R3 billion for losses as a result of commercial crime and claims under professional indemnity in excess of R5 million. Directors' and officers' liability insurance up to R1,5 billion plus £100 million is also in place.

Events after reporting date

There are no significant events after the reporting date, being 31 December 2014, to the date of approval of the consolidated annual report, namely 25 February 2015.

Accounting policies

Summary of significant accounting policies

1. Basis of preparation

The 2014 consolidated and company financial statements of Liberty Group Limited have been prepared in accordance with and containing information required by International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and comply with the South African Companies Act No. 71 of 2008.

All amounts are shown in rand millions unless otherwise stated.

IFRS comprise International Financial Reporting Standards, International Accounting Standards and Interpretations originated by the IFRS Interpretations Committee or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB).

Accounting policy elections

The group has made the following accounting policy elections in terms of IFRS, with reference to the detailed accounting policies shown in brackets:

- Interests in joint ventures which are held indirectly by investment-linked insurance funds are designated on initial recognition as at fair value through profit or loss (accounting policy 3);
- Mutual fund associate investments, held by investment-linked insurance funds, in which the group has significant influence, are designated on initial recognition as at fair value through profit or loss (accounting policy 3);
- Acquisitions of subsidiaries under common control where the acquirer incorporates assets and liabilities at their pre-combination carrying amounts (accounting policy 3);
- Equipment is stated at cost less accumulated depreciation (accounting policy 6);
- Investment and owner-occupied properties are accounted for using the fair value model (accounting policy 7);
- After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses (accounting policy 8);
- In general, financial assets are designated as at fair value through profit or loss (accounting policy 10);
- Application of cash flow hedge accounting for certain investments (accounting policy 12); and
- Application of shadow accounting to changes in policyholder liabilities arising from fair value re-measurement of owner-occupied properties held to match obligations under insurance contracts (accounting policy 18).

2. New IFRS standards that are not yet effective

New standards that may significantly impact on the group results or disclosures that are not yet effective

The following new or amended standards have been issued by the IASB however are not yet effective for the current financial year. The group will comply with the new standards and amendments from the effective date and has elected not to early adopt any amended or new standard at this stage.

Standard	Scope	Potential impact to the group
IFRS 9 *Financial Instruments* Effective for years commencing 1 January 2018, with retrospective application Issued July 2014	The final version of IFRS 9 combines the classification and measurement of financial assets and liabilities, impairment and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. All recognised financial assets that were within the scope of IAS 39 will be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Choices of measurement are limited to fair value or amortised cost. Fair value adjustments, depending on the model, can be categorised through profit or loss or through other comprehensive income (OCI). Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and those cash flows are solely payments of principal and interest, generally must be measured at amortised cost. All other debt instruments must be measured at fair value through profit or loss. In terms of financial liabilities, entities that elect to measure a financial liability at fair value are required to present the portion of the change in fair value due to the changes in the entity's own credit risk in OCI, rather than within profit or loss. Despite the business model outcome, an entity may, at initial recognition, designate a financial asset at fair value through profit or loss (to eliminate or significantly reduce any accounting mismatch that would arise from measuring financial assets and liabilities on different bases) as an alternative to amortised cost measurement. Impairments of amortised cost measured assets will be recognised on an expected credit loss model. This model is forward-looking and it eliminates the threshold for the recognition of expected credit losses. The revised general hedge accounting requirements are better aligned with an entity's risk management activities and provide additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting.	The impact on the annual financial statements has not yet been fully determined. It is highly likely that financial instrument classification will be influenced by the final IFRS 4 standard on insurance contract measurement currently under development. This is because the majority of the group's financial instruments are held to meet obligations of currently designated insurance contract liabilities. It will be important to minimise the accounting mismatches in total earnings in the statement of comprehensive income that may occur on application of IFRS 9 and IFRS 4.

2. New IFRS standards that are not yet effective (continued)

Standard	Scope	Potential impact to the group
IFRS 15 *Revenue from Contracts with Customers* Effective for years commencing 1 January 2017, most likely, with retrospective application Issued May 2014	The standard establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 replaces the existing revenue standards, namely, IAS 11 *Construction Contracts*; IAS 18 *Revenue*; and the related interpretations on revenue recognition; IFRIC 13 *Customer Loyalty Programmes*; IFRIC 15 *Agreements for the Construction of Real Estate*; IFRIC 18 *Transfers of Assets from Customers*; and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. This standard sets out the requirements for recognising revenue that applies to all contracts with customers except for contracts that are within the scope of the standards on leases, insurance contracts and financial Instruments. IFRS 15 is essentially a 'residual' standard in that an entity first evaluates contracts under any other applicable standard and thereafter applies IFRS 15. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Depending on whether certain criteria are met, revenue is recognised: i. over time, in a manner that depicts the entity's performance; or ii. at a point in time, when control of the goods or services is transferred to the customer. This means that an entity needs to evaluate the nature of its performance obligations and review its contract terms. Each promise to deliver a good or provide a service must be identified and constitutes a performance obligation if the promised good or service is distinct. This may result in a different interpretation from the previous revenue standard in that some performance obligations should be separately recognised and not combined together with other goods and services and vice versa.	The impact to the group has been assessed and it is unlikely that there will be a significant financial impact to Liberty on adoption of IFRS 15. More quantitative disclosures are required under IFRS 15 regarding disaggregation of revenue into appropriate categories, the remaining performance obligations and the amount of the transaction price that is allocated to the remaining obligations in a contract, and the changes in contract asset, liabilities and costs. Disclosure needs to be made of the significant judgements applied and changes in judgements in determining the timing of satisfaction of performance obligations, and the determination of the transaction price

The following narrow scope amendments have been issued by the IASB, which are not yet effective
Effective annual periods beginning on or after 1 July 2014

- Defined Benefit Plans: Employee Contribution (Amendments to IAS 19)

Annual Improvements 2010 – 2012:

- Share-based Payment: Definition of vesting condition (IFRS 2)
- Business Combination: Accounting for contingent consideration in a business combination (IFRS 3)
- Operating Segments: Aggregation of operating segments, and reconciliation of the total of the reportable segments' assets to the entity's assets (IFRS 8)
- Fair Value Measurement: Short-term receivables and payables (IFRS 13)
- Property, Plant and Equipment: Revaluation method – proportionate restatement of accumulated depreciation (IAS 16)
- Related Party Disclosures: Key management personnel services (IAS 24)

2. New IFRS standards that are not yet effective (continued)

The following narrow scope amendments have been issued by the IASB, which are not yet effective (continued)

Annual Improvements 2011 – 2013:

- Business Combination: Scope exemptions for joint ventures (IFRS 3)
- Fair Value Measurement: Scope of paragraph on portfolio exemption (IFRS 13)
- Investment Property: Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property (IAS 40)

Effective annual periods beginning on or after 1 January 2016

- Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11)
- Classification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (proposed amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (proposed amendments to IFRS 10 and IAS 28)

Annual improvements 2012-2014

- Non-current Assets Held for Sale and Discontinued Operations (changes in methods of disposal) (IFRS 5)
- Financial Instruments Disclosures (servicing contracts, and applicability of the amendments to IFRS 7 to condensed interim financial statements) (IFRS 7)
- Employee Benefits (discount rate: regional market issue) (IAS 19)
- Interim Financial Reporting (disclosure of information elsewhere in the interim financial report) (IAS 34)

The above narrow scope amendments are not expected to significantly impact the group's financial results or disclosures.

Accounting developments at the IASB that will potentially impact Liberty

The IASB is still deliberating on IFRS 4 *Insurance Contracts* which, if issued as a standard, may materially impact the group's current financial position.

The revised exposure draft on Insurance Contracts sets out the proposals for the accounting for insurance contracts, with targeted key areas for comment. The earliest date for IFRS 4 Phase II to become effective is expected to be 1 January 2019.

At this stage there is still insufficient clarity to be able to report on the implications of this proposed new standard.

In addition, the IASB have continued deliberating on leases. The new leases standard is expected in H2 2015. It is expected that the effective date would be three years after the issue of the standard. The main change to the standard is to lessee accounting, in that operating leases will be brought on balance sheet with a "right of use" asset and corresponding future lease payments. Interest and amortisation will be presented separately in the statement of comprehensive income. Lessor accounting will be largely unaffected and therefore it is not expected that this standard will have a significant impact on the group as it is mainly impacted by lessor accounting.

3. Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries.

Interests in subsidiaries

Interest in subsidiaries comprises interests in subsidiary companies, mutual funds and structured entities.

Subsidiaries are defined as entities that are controlled by the group. In order for control to exist, the group must have power over the investee, exposure or rights to variable returns from involvement with the investee, and the ability to use power over the investee to affect the amount of the group's returns. The group must possess all three elements to conclude that it controls an investee. In certain cases, the assessment of control requires the application of significant judgement. The current ability to direct the relevant activities of the investee (rather than the actual exercise of power), the nature of substantive or protective rights and voting rights are all considered when assessing whether the group controls another entity.

Mutual funds, in which the group has the irrevocable asset management agreement over and in which the group has invested significantly, are consolidated. For other mutual funds, other factors such as the existence of control through voting rights held by the group, or significant economic power in the fund, are considered in the assessment of control. The consolidation principles applied to these mutual funds are consistent with those applied to consolidated subsidiary companies.

3. Basis of consolidation (continued)

The subsidiaries are consolidated from the date on which control is transferred to the group (effective date of acquisition) and are no longer consolidated from the date that control ceases (effective date of disposal). Gains and losses on disposal of subsidiaries are included in profit or loss. The accounting policies for subsidiaries are consistent, in all material respects, with the policies adopted by the group. Intergroup transactions, balances and unrealised gains and losses are eliminated on consolidation.

Interests in subsidiary companies in the company financial statements are shown at cost less any required impairment (which is assessed annually). Acquisition costs are recorded as an expense in the period in which they are incurred, except for the costs to issue debt or equity securities, which are part of the consideration transferred. The carrying amounts of these investments are reviewed annually for impairment.

Business combinations

The group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the sum of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The cost of an investment in a subsidiary is adjusted to reflect changes in consideration arising from contingent consideration amendments. Transaction costs are recognised within profit or loss as and when they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred, being the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, is recorded as goodwill.

The group elects to measure non-controlling interests on the acquisition date at either fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets on an acquisition-by-acquisition basis.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Unincorporated property partnerships

The group consolidates its interests in those property partnerships where the group holds a majority stake in the property and controls the management of the property, including the power over all significant decisions around use and maintenance of the property. Non-controlling interests in the unincorporated property partnerships are measured at their proportionate share of the fair value in the various properties and any non-distributed net accumulated profit or loss.

Interests in joint arrangements

Joint arrangements are arrangements whereby the group and one or more parties have joint control of an entity. classification of a joint arrangement as either a joint operation or a joint venture depends on the contractual rights and obligations of the parties to the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control, have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

For interests in joint operations, the group recognises its share of assets, liabilities, revenues and expenses. The group accounts for the assets, liabilities, revenue and expenses in accordance with the relevant IFRSs applicable to those assets, liabilities, revenues and expenses.

Interests in joint ventures – equity accounted

Interests in joint ventures in the group financial statements are accounted for using equity accounting principles for the duration in which the group has the ability to exercise joint control.

The group's interests in these joint ventures are carried initially at cost. The group's share of post-acquisition profit or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in reserves. Any goodwill in respect of joint ventures acquired is recognised as part of interests in joint ventures in the statement of financial position.

The group discontinues equity accounting when the group's share of losses exceeds or equals its interests in the joint venture, unless it has incurred obligations or guaranteed obligations in favour of the joint venture. At each reporting date the group determines whether there is objective evidence that the interests in joint ventures are impaired. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology described in accounting policy 8. Where the accounting policies for joint ventures are not consistent, in all material respects, with policies adopted by the group, adjustments are made to ensure consistency with the group policies.

3. Basis of consolidation (continued)

Interests in joint ventures are accounted for at cost less any impairment in the company financial statements. The carrying amounts are reviewed annually for impairment in line with accounting policy 9.

Interests in joint ventures – measured at fair value through profit or loss

Investments in joint ventures which are held specifically to provide investment returns to investment-linked insurance policies are designated upon initial recognition as at fair value through profit or loss in accordance with the measurement exemption in IAS 28 *Investments in Associates and Joint Ventures*. These interests in joint ventures are subsequently measured at fair value through profit or loss.

Interests in associates

An associate is an entity over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investment. Judgement is applied in assessing which entities the group has the ability to exercise significant influence. In the case of voting rights, it is generally demonstrated by the group holding 20% or more of the voting power of the investee.

Interests in associates are accounted for at cost less any impairment in the company financial statements. The carrying amounts are reviewed annually for impairment in line with accounting policy 9.

Interests in associates – equity accounted

Interests in associates are accounted in the group financial statements using the equity method of accounting from the date significant influence commences until the date significant influence ceases. The group's interests in associates are carried initially at cost. The group's share of post-acquisition profit or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in reserves. Any goodwill in respect of associates acquired is recognised as part of interests in associates in the statement of financial position. At each reporting date the group determines whether there is objective evidence that the interests in joint ventures are impaired. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology described in accounting policy 9. Where an entity within the group transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the associate. Where the accounting policies for associates are not consistent, in all material respects, with policies adopted by the group, adjustments are made to ensure consistency with the group policies.

Interests in associates measured at fair value – mutual funds

The mutual funds in which the group has exposure to economic interest in the fund and has the irrevocable management agreement over the fund's asset manager, therefore providing significant influence, are deemed to be interests in associates. On initial recognition, they are designated as at fair value through profit or loss, based on the measurement exemption in IAS 28 *Investments in Associates and Joint Ventures* for investment-linked insurance funds.

Initial measurement is at fair value on trade date with subsequent measurement at fair value based on quoted repurchase prices at the close of business on the last trading day on or before the statement of financial position date. Fair value adjustments on mutual funds are recognised in profit or loss.

Acquisitions of subsidiaries under common control

Common control is defined as a business combination in which all of the combining entities (subsidiaries) are ultimately controlled by the same party both before and after the business combination, and control is not transitory.

The cost of an acquisition of a subsidiary under common control is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Any costs directly attributable to the acquisition are written off against reserves. On acquisition the carrying values of assets and liabilities are not restated to fair value. The acquirer incorporates assets and liabilities at their pre-combination carrying amounts. Any excess/deficit of the purchase price over the pre-combination recorded ultimate holding company's net asset value of the subsidiary is adjusted directly to equity. Any differences to values of the subsidiary's underlying assets and liabilities compared to those presented by the ultimate holding company and adjustments to achieve harmonisation of accounting policies will be adjusted on consolidation. Under this approach comparatives are not restated.

The principles of when control arises are the same as those for interests in subsidiaries where purchase price accounting is applied.

Distributions or dividends receipts of loan claims with fellow subsidiaries or holding companies that remain (after distribution) within the consolidated group are measured at the demand value of the loan.

3. Basis of consolidation (continued)

Distributions of ordinary shares held in subsidiaries

Distributions of defined equity shares held in subsidiaries, either through a dividend or a capital reduction will be measured at the carrying value at the date of distribution, including any unrealised impairment provisions.

Receipts of distributions of subsidiary ordinary shares previously held by a subsidiary

Any receipt of subsidiary defined equity shares by way of a distribution from a directly held subsidiary is considered to be an effective split of the carrying value of the previously singular directly held investment in the subsidiary. The carrying value to be apportioned between the resulting two or more directly owned subsidiaries is calculated with reference to the attributed values on the original acquisition of the previous directly held subsidiary, adjusted for any post-acquisition impairments or pre-acquisition dividends and capital reductions that were applied to the original cost.

Transactions with non-controlling interests

The group applies a policy of treating transactions, including partial disposals with non-controlling interests that do not result in the gain or loss of control, as transactions with equity owners of the group. For purchases of additional interests from non-controlling interests, the excess of the purchase consideration over the group's proportionate share of the subsidiary's additional net asset value acquired is accounted for directly in equity. Profits or losses on the partial disposal of the group's interest in a subsidiary to non-controlling interests are also accounted for directly in equity.

4. Foreign currencies

The group's presentation currency is South African rand (ZAR). All amounts are shown in rand millions unless otherwise indicated. The functional currency of the group's operations is the currency of the primary economic environment where each operation physically has its main activities.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies that differ to the functional currency at the statement of financial position date are translated into the functional currency at the ruling rate at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction, and those measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains or losses are recognised as part of fair value adjustments on financial instruments in profit or loss.

Group foreign operations

Assets and liabilities of group foreign operations whose functional currency is different to the presentation currency are translated from their respective functional currency into the group's presentation currency at closing rates ruling at statement of financial position date. The income and expenditure and equity movements are translated into the group's presentation currency at rates approximating the foreign exchange rates ruling at the date of the various transactions.

All resulting translation differences arising from the consolidation and translation of foreign operations are recognised in other comprehensive income and accumulated in equity as a foreign currency translation reserve.

When a foreign operation is partially disposed of or sold, the cumulative amount of the exchange differences in the foreign currency translation reserve relating to that foreign operation is reclassified from the reserve to profit or loss when the gain or loss on disposal is recognised.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

5. Fair value

Fair value is applied as defined in IFRS 13.

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs. Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or determined using valuation models that utilise non-observable market data as inputs.

5. Fair value (continued)

Subsequent to initial recognition, fair value is measured based on quoted market prices or dealer price quotations for assets and liabilities that are traded in active markets and where those quoted prices represent fair value at the measurement date. If the market for an asset or liability is not active or the instrument is unlisted, the fair value is determined using other applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants. Refer accounting policies 10, 11 and 12 for more detail on subsequent measurement.

Fair value measurements are categorised into level 1, 2 or 3.

6. Equipment and owner-occupied properties under development

The group's equipment provides it with the necessary infrastructure to operate effectively. Equipment principally comprises computer equipment and fixtures and fittings. The cost of these assets is recognised in the income statement over time as a depreciation charge. Computer equipment is normally depreciated over 2-5 years, while the remaining assets are depreciated over 5-15 years.

Owner-occupied properties under development are properties being constructed to provide the group infrastructure space, but which are not yet ready for use by the group. These properties are accounted for at the cost of development less any impairment.

7. Properties

The group holds both investment properties and owner-occupied properties. Investment properties are held to earn rental income and capital appreciation. Investment properties include property that is being constructed or developed for future use as investment property. Owner-occupied properties are held by the group for use in the supply of services or for its own administration purposes.

Measurement

Investment properties are reflected at valuation based on fair value which takes into account characteristics that market participants would consider at the statement of financial position date. Owner-occupied properties are stated at revalued amounts, being fair value at the date of valuation less subsequent accumulated depreciation for buildings and accumulated impairment losses. If the open-market valuation information cannot be reliably determined, the group uses alternative valuation methods such as discounted cash flow projections or recent prices on active markets. Refer to accounting policy 5 for more detail. If the fair value of investment property under construction or development cannot be measured reliably, it is measured at cost until such time as construction is complete or fair value can be reliably measured. The open-market fair value is determined annually by independent professional valuators. The fair value adjustments on investment properties are included in profit or loss as investment gains in the period in which these gains or losses arise and are adjusted for any double counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination.

The fair value adjustments on owner-occupied properties are recognised in OCI and accumulated in a revaluation reserve in equity to the extent that the accumulated adjustment is a surplus. Any accumulated deficits are recorded in profit or loss. On disposal or transfer (change in use) of owner-occupied properties to investment properties, the amounts included in the revaluation reserve are transferred directly to retained surplus. The deemed cost for any reclassification (between investment properties and owner-occupied properties) is at fair value, at the date of reclassification.

Depreciation in respect of owner-occupied properties

Depreciation is recognised in profit or loss at rates appropriate to the expected useful lives of owner-occupied buildings (normally 40 years) and any significant component part. Land is not depreciated. Depreciation is calculated on the opening open-market fair value less any expected residual value. If the expected residual value is greater than or equal to the carrying value, no depreciation is provided for. On the date of the revaluation, any accumulated depreciation is eliminated against the gross carrying amount of the property and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount for each property. Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is directly transferred net of any related deferred taxation, between the revaluation reserve and retained earnings as the property is utilised.

8. Intangible assets

Goodwill

All business combinations are accounted for by applying the acquisition method of accounting. The cost of a business combination is the fair value of the purchase consideration due at the date of acquisition. Goodwill represents the excess of the cost of acquisition over the fair value attributable to Liberty's share of the net identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets and goodwill on acquisitions of associates and joint ventures is included in interests in associates and interests in joint ventures respectively.

8. Intangible assets (continued)

With effect from 1 January 2004, goodwill is capitalised at opening net carrying value for business combinations prior to that date, or cost in respect of subsequent acquisitions. Goodwill is allocated to the applicable cash-generating units, which may not be to a level greater than an operating segment level, for the purposes of impairment testing. Goodwill is tested annually for impairment and carried at capitalised value less accumulated impairment losses. Any impairment calculated is expensed to profit or loss. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Computer software development costs

Costs associated with maintaining computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable system, which will be controlled by the group and has a probable benefit exceeding the cost beyond one year, are recognised as an asset. These costs comprise all directly attributable costs necessary to create, produce and prepare the asset for its intended use.

Development costs are recognised as an intangible asset when the following criteria are met:

- the group is able to demonstrate its intention and ability to complete and use the software;
- the technical feasibility of the development can be demonstrated;
- the availability of resources to complete the development;
- it can be demonstrated how the development will generate probable future economic benefits; and
- the ability to reliably measure costs relating to the development.

Computer software development costs recognised as assets are amortised in profit or loss on a straight-line basis at rates appropriate to the expected useful life of the asset. Amortisation commences from the date the software is available and brought into use. As the software is proprietary and specific to the group operations, no residual value is estimated.

Present value of acquired in-force policyholder insurance contracts and investment contracts with discretionary participation features (DPF)

Where a portfolio of policyholder contracts is acquired, either directly from another insurer or through the acquisition of a subsidiary, the present value of acquired in-force (PVIF) business on the portfolio, being the net present value of estimated future cash flows of the existing contracts, is recognised as an intangible asset and amortised on a basis consistent with the settlement of the relevant liability in respect of the purchased contracts. The estimated life is re-evaluated annually. These cash flows ignore the effects of taxation as this is separately adjusted for on application of the deferred taxation accounting policy.

The PVIF is carried in the statement of financial position at cost less any accumulated amortisation.

Customer relationships and contracts

Customer relationships and contracts acquired as part of a business combination are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships and contracts acquired at the date of acquisition.

Subsequent to initial recognition such acquired intangible assets are amortised on a straight-line basis over their estimated useful lives. The estimated life is re-evaluated on an annual basis.

Technology-based intangible assets

Technology-based intangibles consist of software acquired as part of business combinations and are capitalised at its fair value at the date of acquisition, as determined by an independent valuer. The fair value is determined utilising a method which calculates the cost involved in creation of the software. Subsequent to initial recognition purchased software is amortised on a straight-line basis over its estimated useful life. The estimated life is re-evaluated on an annual basis.

Amortisation of intangibles

Amortisation of intangibles is charged to profit or loss. Goodwill is not amortised. The expected useful lives are included in note 6 to the group annual financial statements.

9. Impairment of assets

The carrying amounts of the group's assets are reviewed on an annual basis to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

9. Impairment of assets (continued)

Financial assets carried at amortised cost

The group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence includes observable data that comes to the attention of the group about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the group's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improved credit rating), the previously recognised impairment loss is reversed in profit or loss.

Goodwill

Goodwill is allocated to cash-generating units (CGU) being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each CGU containing goodwill is tested annually for impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets on a pro rata basis. Impairment losses relating to goodwill are not reversed.

Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss immediately when incurred for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

9. Impairment of assets (continued)

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

10. Financial assets

General

The group classifies its financial assets at initial recognition into categories, namely:

- held at fair value through profit or loss;
- derivatives that are held for hedging;
- held-to-maturity investments; and
- loans and receivables.

The classification depends on the purpose for which the asset was acquired and, with the exception of those held at fair value through profit or loss, is reassessed on an annual basis.

In general, financial assets are designated as at fair value through profit or loss, in line with the group's strategy to manage financial investments acquired to match its insurance and investment contract liabilities. In addition, shareholders' capital is invested under a formal capital management strategy that actively measures the performance on a fair value basis.

Financial assets comprise:

- financial instruments;
- pledged assets; and
- interests in associates, to which the measurement exemption in IAS 28 *Investments in Associates and Joint Ventures* applies.

Initial measurement

Financial assets are initially recognised at fair value plus directly attributed transaction costs on trade date, which is the date when the group becomes party to the contractual terms of the financial asset. The transaction costs relating to the acquisition of financial assets carried at fair value through profit or loss are expensed immediately in profit or loss.

Subsequent measurement

Subsequent to initial measurement, financial assets are measured either at fair value or amortised cost, depending on their classification, as follows:

Financial assets classified as fair value through profit or loss

These instruments comprise:

- financial assets held-for-trading;
- financial assets held for hedging; and
- financial assets designated as at fair value through profit or loss at inception.

Financial assets are designated on initial recognition as at fair value through profit or loss when the financial assets are:

- used to match investment contract liabilities measured at fair value and/or insurance contract liabilities, and this designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring assets or liabilities or recognising gains or losses on a different basis; or
- managed within the group and performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the group executive committee. The group's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair value.

Subsequent to initial recognition the fair values are remeasured at each reporting date.

Realised and unrealised gains or losses arising from changes in the fair value of these financial assets are recognised in profit or loss within net fair value gains on financial assets at fair value in the period in which they arise.

10. Financial assets (continued)

The fair value of financial assets with standard terms and conditions and traded on active liquid markets is determined by reference to regulated exchange quoted ruling market prices at the close of business on the last trading day on or before the statement of financial position date. If quoted market prices are not available, reference is also made to readily and regularly available broker or dealer price quotations. For units in mutual funds and shares in open ended investment companies, fair value is determined by reference to published repurchase prices.

If a market for a financial asset is not active, the group establishes fair value by using various valuation techniques. These include the use of recent arm's length transactions, reference to the current market value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Where the fair value of financial assets is determined using discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

Fair value adjustments for unquoted instruments are included in investment gains and losses and are determined as follows:

- *Fixed and variable rate preference shares, bonds and inflation-linked bonds*

Preference shares and bonds are fair valued using a discounted cash flow model. Cash flows are projected by using either the applicable fixed dividend/coupon, or by extrapolating the future variable dividend/coupon using an applicable market implied curve. These dividends/coupons are then valued using a discount curve which allows for the credit risk of the particular issuer, where the credit spread is derived from instruments which display similar credit risk characteristics.

- *Structured notes (including credit-linked and equity-linked notes)*

Structured notes are fair valued by unbundling the note into its constituent parts, and summing the value of each of these parts. The funded portion of the note is valued as a floating rate deposit or floating rate credit instrument using a discounted cash flow model. Changes in the probability of default of either issuer or any reference entity results in a credit adjustment to the value of the instrument. Embedded optionality is valued using an appropriate option pricing model. Fixed rate notes generally include an interest rate swap, and this is valued using the appropriate market implied curve. The sum of these components is used as the value of the structured note.

- *Swaps*

Swaps are fair valued using a discounted cash flow model. Cash flows are projected either by using the applicable fixed coupon, or by extrapolating the future variable coupon using an applicable market implied curve. These coupons are then valued using a market implied swap discount curve.

- *Forwards*

Forwards are fair valued by comparing the agreed forward price to the market implied forward price of the instrument, and discounting the difference using a market implied discount curve.

- *Unlisted equities (including unlisted variable rate preference shares)*

Valuations are determined by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of the equity instrument.

- *Fixed deposits and negotiable certificates of deposit*

Fixed deposits and negotiable certificates of deposit are fair valued by unbundling the deposit into a floating rate deposit and an interest rate swap. The floating rate deposit is valued at face value and adjusted where necessary for the probability of default of the issuer. The interest rate swap is valued using the appropriate market implied curve. The sum of these two components is used as the value of the deposit.

- *Investment policies with other insurers*

These are valued at the fair values of the underlying investments supporting the policy, adjusting for applicable liquidity or credit risk.

- *Over-the-counter options (OTC)*

OTC options are fair valued using an appropriate option pricing model, for example the Black Scholes Model. 10. Financial assets (continued)

10. Financial assets (continued)

- *Pledged assets*

Securities sold subject to linked repurchase agreements are reclassified in the statement of financial position as pledged assets. Such securities are measured in accordance with the measurement policy as described under the accounting policy for financial assets. The liability to the counter-party is included under investment creditors within Insurance and other payables on the statement of financial position. The difference between the re-purchase and sales price is treated as interest and amortised over the life of the reverse repurchase agreement using the effective interest method and disclosed as finance costs over the period of the agreement in the statement of comprehensive income. Financial assets pledged as collateral on derivative positions are disclosed with pledged assets on the statement of financial position.

Marketable securities held under scrip lending arrangements are measured in accordance with the stated accounting policy applicable to the security and are reflected as pledged assets on the statement of financial position.

Financial assets classified as held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments (other than loans and receivables) and fixed maturity where management has both the intent and the ability to hold to maturity. They are initially recognised at fair value plus directly attributable transaction costs and subsequently carried at amortised cost using the effective interest rate method less any required impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payment dates that are not quoted in an active market other than those that are originated with the intention of sale immediately or in the short term or that have been designated at fair value through profit or loss. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method less any required impairment.

11. Financial liabilities

General

Financial liabilities comprise:

- subordinated notes,
- trading liabilities,
- derivative financial liabilities (both held for trading and held for hedging),
- redeemable non-participating preference shares,
- policyholder liabilities under investment contracts, and
- third party financial liabilities arising on consolidation of mutual funds.

Measurement

Financial liabilities that are categorised and designated at initial recognition as being at fair value through profit or loss are recognised as at fair value. Transaction costs, which are directly attributable to the acquisition or on issue of these financial liabilities, are recognised immediately in profit or loss. Financial liabilities that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liabilities.

Fair value is determined using discounted cash flow techniques. Estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument adjusted for the credit risk of Liberty.

Derivative financial liabilities are subsequently measured as described in accounting policy 12.

The subordinated notes and redeemable non-participating preference shares are subsequently measured at amortised cost using the effective interest rate method.

The measurement of policyholder liabilities under investment contracts is described in accounting policy 18.

Third party financial liabilities arising on consolidation of mutual funds are effectively demand deposits and are consequently measured at fair value, which is the quoted unit value as derived by the fund administrator with reference to the rules of each particular fund. Fair value gains or losses are recognised in profit or loss.

12. Derivative financial instruments

Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into. Subsequently, derivative financial instruments are measured at fair value. The method of recognising fair value gains and losses depends on whether the derivatives are designated as hedging instruments, and if so, the nature of the hedge relationship, or if they are classified as held for trading.

Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

Derivative financial instruments are carried as financial assets when the fair value is positive and financial liabilities when the fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if transactions are with the same counterparty, a current legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable market data.

When unobservable market data has an impact on the valuation of derivatives, the entire day one gain or loss in fair value indicated by the valuation model from the transaction price is not recognised immediately in profit or loss but over the life of the transaction on an appropriate basis, or when the inputs become observable, or when the derivative matures or is closed out.

Hedge accounting

Derivatives that qualify for cash flow hedge accounting

Certain derivatives are designated as hedges of highly probable future cash flows attributable to a recognised asset or liability.

Hedge accounting is applied to derivatives designated in this way provided certain criteria are met. The group documents, at the inception of the hedge relationship, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships. The group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in the statement of comprehensive income. The ineffective part of any gain or loss is recognised immediately in profit or loss as investment income gains or losses.

Amounts recognised in other comprehensive income (OCI) are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The cumulative gains or losses recognised in OCI remain in OCI until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately transferred to profit or loss as investment gains or losses.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss as investment gains or losses.

13. Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the investments have expired or on trade date when they have been transferred and the group has also transferred substantially all risks and rewards of ownership. Non-cash financial assets pledged, where the counterparty has the right to sell or repledge the assets to a third party, are classified as pledged assets.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

14. Cash and cash equivalents

Cash and cash equivalents comprise:

- balances with banks;
- highly liquid short-term funds on deposit; and
- cash on hand.

It does not include money market securities held for investment. Instruments included in this category are those with an initial term of three months or less from the acquisition date. Cash and cash equivalents are carried at cost which due to their short-term nature, approximates fair value.

15. Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business reduce the proceeds from the equity issue.

Treasury shares

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is on consolidation deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity. Any net income in relation to treasury shares (both fair value movements and dividends) is eliminated from group profit for the year. The number of shares in the earnings per share calculation is reduced for treasury shares held during the period on a weighted average basis.

16. Black economic empowerment (BEE) transaction

Investments in BEE entities via equity instruments, the proceeds of which were used by the BEE entities to finance share purchases from shareholders to facilitate Liberty's 2004 BEE transaction, do not meet the IAS 39 definition of a financial asset and are considered to be a reduction of equity. Cash flows arising from Liberty Holdings Limited's dividends are used by the BEE entities to redeem these equity instruments and fulfil dividend obligations and are recognised directly in equity. The number of shares in the earnings per share calculation is reduced for the respective weighted average Liberty Holdings Limited shares held by the BEE entities.

17. Dividend distribution

Dividend distribution to the company's ordinary shareholders is recognised as a liability in the group's financial statements in the period in which, in terms of the authority granted by the shareholders, the dividends are approved by the company's directors.

18. Policyholder insurance and investment contracts

Policyholder contracts are classified into four categories, depending on the duration of or the type of investment benefit or insurance risk, namely:

- long-term insurance;
- long-term investment with discretionary participation feature (DPF);
- long-term investment without DPF; and
- short-term insurance.

Insurance and investment contract classification

The group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the group (insurer) accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder or, in the case of life annuities, the lifespan of the policyholder is greater than that assumed. Such contracts may also transfer financial risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other measurable variable.

Discretionary participation features (DPF)

A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

(i) that are likely to be a significant portion of the total contractual benefits;

(ii) whose amount or timing is contractually at the discretion of the group; and

(iii) that are contractually based on:

  - the performance of a specified pool of contracts or a specified type of contract; and/or
  - realised and/or unrealised investment returns on a specified pool of assets held by the group.

18. Policyholder insurance and investment contracts (continued)

The terms and conditions or practice relating to these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and limits within which the group may exercise its discretion as to the quantum and timing of the payment to policyholders.

A proportion, as set out in the policy conditions, of the eligible surplus (usually 9/10ths of the surplus) must be attributed to policyholders as a group (which can include future policyholders), while the amount and timing of the distribution to individual policyholders is at the discretion of the group, subject to the advice of the statutory actuary. Management of this business is in accordance with the group's Published Principles and Practices of Financial Management, as lodged with the Financial Services Board. The terms reversionary bonus and smoothed bonus refer to the specific forms of DPF contracts underwritten by the group.

All components in respect of DPFs are included in the policyholder liabilities.

Professional Guidance issued by the Actuarial Society of South Africa

In terms of IFRS 4, insurance liabilities are measured under existing local practice at the date of adoption of IFRS 4. The group had, prior to the adoption of IFRS 4, adopted the Professional Guidance Notes (PGNs) issued by the Actuarial Society of South Africa to determine the liability in respect of insurance contracts issued in South Africa. The group has continued to value long-term insurance liabilities in accordance with these. The naming convention has changed and the term 'Professional Guidance Note' (PGN) was replaced with either 'Advisory Practice Note' (APN) or 'Standard of Actuarial Practice' (SAP) depending on whether the former PGN was 'best practice' or 'mandatory' respectively. These are available on the Actuarial Society of South Africa website (www.actuarialsociety.org.za). Where applicable, the APNs and SAPs are referred to in the accounting policies and notes to the annual financial statements.

Long-term insurance contracts and investment contracts with DPF measurement

These contracts are valued in accordance with the Financial Soundness Valuation (FSV) method as described in SAP 104, using a discounted cash flow methodology. The liability is reflected as policyholder liabilities under insurance contracts and investment contracts with DPF. The discounted cash flow methodology allows for premiums and benefits payable in terms of the contract, future administration expenses and commission, investment return and tax and any expected losses in respect of options.

The liability is based on assumptions of the best estimate of future experience, plus compulsory margins as required in terms of SAP 104, plus additional discretionary margins. Derivatives embedded in the group's insurance contracts are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as an insurance contract. The liabilities in respect of the investment guarantees underlying maturity and death benefits and guaranteed annuity options are measured in accordance with APN 110 on a market-consistent basis. Discretionary margins are held to ensure that the profit and risk margins in the premiums are not capitalised before it is probable that future economic benefits will flow to the entity.

Profits emerge over the lifetime of the contracts in line with the risks borne by the group. Discretionary margins include an allowance for the shareholders' participation in the reversionary and terminal bonuses expected to be declared each year in respect of with-profit business, as well as an allowance for both the shareholders' participation in the bonus expected to be declared and a portion of the management fees levied under certain classes of market-related business. In addition discretionary margins are held where required for prudent reserving.

Liabilities for individual market-related policies where benefits are in part dependent on the performance of underlying investment portfolios (including business with stabilised bonuses) are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date (the unit reserve element), reduced by the excess of the present value of the expected future risk and expense charges over the present value of the expected future risk benefits and expenses on a policy-by-policy cash flow basis (the rand reserve element). Reversionary bonus classes of policies and policies with fixed and guaranteed benefits are valued by discounting the expected future cash flows at market-related rates of interest, reduced by an allowance for investment expenses and the relevant compulsory margins (the guaranteed element). Future bonuses have been allowed for at the latest declared rates where appropriate. The rand reserve element of market-related policies and the guaranteed element in respect of other policies are collectively known as the rand reserve.

In respect of corporate life and lump sum disability business, no discounting of future cash flows is performed. However, a provision will be held if the expected guaranteed premiums under the current basis and investment returns in the short term are not sufficient to meet expected future claims and expenses. For corporate investment contracts with DPF, in addition to the value of the policies' investment in the investment portfolios held, an additional provision will be held if the expected fee recoveries in the short term are not sufficient to meet expected expenses. Within the group all investment contracts invested in smoothed bonus portfolios are classified as investment contracts with DPF. In respect of insurance and investment contracts with DPF where bonuses are smoothed, bonus stabilisation provisions are held arising from the difference between the after taxation investment performance of the assets net of the relevant management fees and the value of the bonuses declared. In accordance with SAP 104, where the bonus stabilisation provision is negative, this provision is restricted to an amount that can reasonably be expected to be recovered through under-distribution of bonuses during the ensuing three years. All bonus stabilisation provisions are held as part of the liabilities under these contracts. The liability estimates are reviewed bi-annually. Any changes in estimates of the liability are reflected in profit or loss as they occur.

18. Policyholder insurance and investment contracts (continued)

Where policyholders, in respect of certain policies, are entitled to a part surrender, any part surrender is treated as a derecognition of the policyholder liability.

Shadow accounting is applied to policyholder insurance contracts where the underlying measurement of the policyholder insurance liability depends directly on the fair value of any owner-occupied properties. Any unrealised gains and losses on such owner-occupied properties are recognised in other comprehensive income as described in accounting policy 6. The shadow accounting adjustment to policyholder insurance contracts is recognised in other comprehensive income to the extent that the unrealised gains or losses, together with any related taxation on owner-occupied properties backing policyholder insurance liabilities are also recognised directly in other comprehensive income.

Incurred but not reported claims

Provision is made in the long-term policyholder liabilities under insurance contracts for the estimated cost at the end of the year of claims incurred but not reported (IBNR) at that date. IBNR provisions for the main categories of business are calculated using run-off triangle techniques. These liabilities are not discounted due to the short-term nature of IBNR claims. Outstanding claims and benefit payments are stated gross of reinsurance.

Liability adequacy test

At each statement of financial position date the adequacy of the insurance liabilities is assessed. If that assessment shows that the carrying amount of the insurance liabilities (as measured under the FSV basis) net of any related intangible present value of acquired in-force (PVIF) business assets is inadequate in light of the estimated future cash flows (based on the best estimate basis underlying the FSV basis, but excluding compulsory margins as described in SAP 104 as well as any additional discretionary margins), the deficiency is recognised in profit or loss.

Premium income

Premiums and annuity considerations on long-term insurance contracts are recognised when due in terms of the contract, other than in respect of universally costed policies (policies where insurance risk charges are dependent on the excess of the sum assured over the value of units underlying the contract) and recurring premium pure risk policies (collectively the Lifestyle series) and corporate schemes. Premiums receivable in respect of corporate schemes are recognised when there is reasonable assurance of collection in terms of the policy contract. Premiums in respect of universally costed and recurring premium risk policies are recognised as premiums when received, as failure to pay a premium will result in a reduction of attributable fund value, if available, or else in the lapse of the policy. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in insurance and other payables.

Reinsurance premiums are recognised when due for payment in accordance with the terms of each reinsurance contract.

Claims

Claims on insurance contracts, which include death, disability, maturity, surrender and annuity payments, are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. Outstanding claims are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

Acquisition costs

Acquisition costs for long-term insurance contracts represent commission and other costs (including bonuses payable and the company's contribution to agents' pension and medical aid funds) that relate to the securing of new contracts and the renewing of existing contracts. These costs are expensed as incurred. The FSV method for valuing insurance contracts and investment contracts with DPF makes implicit allowance for the deferral of acquisition costs and hence no explicit deferred acquisition cost asset is recognised in the statement of financial position for these contracts.

Investment contracts without DPF measurement

Measurement

The group issues investment contracts without fixed benefits (unit-linked and structured products) and investment contracts with fixed and guaranteed benefits (term certain annuity). Investment contracts without fixed benefits are financial liabilities whose fair value is dependent on the fair value of the underlying financial assets, derivatives and/or investment property and are designated at inception as at fair value through profit or loss. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. The group's valuation methodologies incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined using the current unit price that reflects the fair values of the financial assets contained within the group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the policyholder at the statement of financial position date. If an investment contract is subject to a put or surrender option exercisable at the reporting date,

18. Policyholder insurance and investment contracts (continued)

the fair value of the financial liability is never less than the amount payable on the put or surrender option. For investment contracts with fixed and guaranteed terms, future benefit payments and premium receipts are discounted using market-related rates at the relevant statement of financial position date. No initial profit is recognised immediately as any profit on initial recognition is amortised over the life of the contract.

Service fees on investment management contracts and deferred revenue liability (DRL)

Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered. A DRL is recognised in respect of upfront fees, which are directly attributable to a contract, that are charged for investment management services. The DRL is then released to revenue when the services are provided, over the expected duration of the contract on a straight-line basis. Regular charges billed in advance are recognised on a straight-line basis over the billing period, which is the period over which the service is rendered. Outstanding fees are accrued as a receivable in terms of the investment management contract.

Amounts received and claims incurred on investment management contracts

Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities, whereas claims incurred are recorded as deductions from investment contract liabilities.

Deferred acquisition costs (DAC) in respect of investment contracts

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained or existing investment contracts are renewed.

These costs are expensed when incurred, unless specifically attributable to an investment contract with an investment management service element. Such costs are deferred and amortised over the expected life of the contract, taking into account all decrements, on a straight-line basis, as they represent the right to receive future management fees.

Amortisation periods are as follows:

- Linked annuities 10 – 16 years
- Corporate investment business 1 year
- Other investment contracts 5 years

A DAC asset is recognised for all applicable policies with the amortisation being calculated on a portfolio basis.

An impairment test is conducted annually at reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

Investment contracts with a DPF switching option

On certain investment contracts, policyholders have an option to switch some or all of their investment from a DPF fund to a non-DPF fund (and vice versa). The value of the liability held with respect to these contracts is taken at the aggregate value of the policyholder investment in the investment portfolio at the valuation date.

Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders. Receivables and payables related to insurance contracts are subsequently measured in terms of IFRS 4, whilst those related to investment contracts are fair valued through profit or loss in terms of accounting policy 5.

Short-term insurance

Short-term insurance provides benefits under short-term policies, typically one year or less, under which the group accepts significant insurance risks from the policyholder if the policyholder incurs losses relating to uncertain future events such as mechanical breakdown of equipment, theft, fire, weather-related events, fraud, third party claims and medical expenses etc.

Gross written premiums on short-term contracts

Gross premiums exclude value-added tax. Premiums are accounted for as income when the risk relating to the insurance policy commences and are amortised over the contractual period of risk cover by using an unearned premium provision. All premiums are shown before deduction of commission payable to intermediaries.

18. Policyholder insurance and investment contracts (continued)

Provision for unearned premiums on short-term contracts

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. The unearned premiums are calculated using a straight-line basis, except for those insurance contracts where allowance is made for uneven exposure.

Liability adequacy on short-term contracts

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs.

Provision for reported claims and claims incurred but not reported (IBNR) on short-term contracts

Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. The group's own assessors or contracted external assessors individually assess claims. The claims provisions include an estimated portion of the direct expenses of the claims and assessment charges.

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the group at that date (IBNR claims). This provision is calculated using the chain ladder run-off triangle technique. These provisions for claims are not discounted for the time value of money due to the expected short duration to settlement.

Deferred acquisition costs (DAC) in respect of short-term contracts

Commissions that vary and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as an asset. All other costs are recognised as expenses when incurred.

Deferred revenue liability in respect of short-term contracts

A deferred revenue liability (DRL) is raised for any income receivable on the placement of reinsurance for risks arising from short-term insurance contracts. The DRL is released to income systematically over the coverage period of the respective reinsurance contract.

Receivables and payables related to short-term insurance contracts

Receivables and payables are recognised when due. These include amounts due from and to agents, intermediaries and insurance contract holders and are included under prepayments, insurance and other receivables and insurance and other payables.

19. Reinsurance contracts held

The group cedes some insurance risk in the normal course of business. Reinsurance contracts are contracts entered into by the group with reinsurers under which the group is compensated for the entire or a portion of losses arising on one or more of the insurance contracts issued by the group.

The expected benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables) as well as longer-term receivables (classified as reinsurance assets) that are dependent on the present value of expected claims and benefits arising net of expected premiums payable under the related reinsurance contracts.

Reinsurance assets are assessed for impairment at each statement of financial position date. If there is reliable objective evidence, as a result of an event that occurred after its initial recognition, that amounts due may not be recoverable, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss.

Outward reinsurance premiums are recognised as an expense and are accounted for in the same accounting period that premiums received are recognised as revenue.

20. Offsetting

Assets and liabilities are offset and the net amount reported in the statement of financial position when:

- there is a current legally enforceable right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

21. Revenue Recognition

Insurance premium revenue

Insurance premium revenue includes life-Insurance premiums, health insurance premiums and short-term insurance premiums. These are accounted for as described in accounting policy 18.

Investment income

Investment income for the group comprises rental income from properties, interest and dividends.

- Dividends are recognised when the right to receive payment is established.
- Rental income is accounted for on a straight-line basis.
- Interest income and expenses for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, are recognised within investment income and finance costs respectively in profit or loss using the effective interest rate method.

When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Rental income in respect of group owner-occupied properties is eliminated on consolidation. Accrued investment income on instruments held at amortised cost is assessed for impairment in line with accounting policy 9. Scrip lending fees received are recognised on an accrual basis and are included in profit or loss as scrip lending fees within investment income.

Hotel operations sales

Hotel operations sales comprise the sale of accommodation, food and beverages, other guest facilities and rentals received. Sales are recognised over the period for which the services are rendered. Revenue is shown net of value-added tax, returns, rebates and discounts.

Fee revenue

Fee revenue includes management fees on assets under management and administration fees. Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. Administration fees received for the administration of medical schemes are recognised when the services are rendered.

22. Employee benefits

Leave pay provision

The group recognises a liability for the amount of accumulated leave if the group has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Incentive scheme

Incentive scheme bonuses are short-term bonuses which are recognised as an expense as incurred when the group has a present or constructive obligation and the amount can be reliably measured.

Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to trustee administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Plan assets exclude any insurance contracts issued by the group. The defined benefit obligation is calculated annually by appointed qualified statutory actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability. When the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan.

The group's current service costs, any past service cost and gain or loss on settlement plus any net interest on the net defined benefit liability (asset) are recognised in profit or loss. Actuarial gains or losses, return on plan assets and any change in the effect of the asset ceiling (excluding amounts recognised in net interest) are included in other comprehensive income. Net interest is determined by multiplying the net defined benefit liability (asset) (after allowing for the effect of limiting a net defined benefit asset to the asset ceiling) by the discount

22. Employee benefits (continued)

rate determined as at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest on the defined benefit liability (asset) therefore comprises the expected return on plan assets, interest cost on the defined benefit obligation and interest on the effect of applying the asset ceiling.

For active employees, amounts relating to future service are recognised as expenses or income systematically over the periods representing the expected remaining service period of employees.

For defined contribution plans, the group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income immediately. Appointed qualified actuaries value these obligations annually.

23. Taxation

Income taxation on the profit or loss for the periods presented comprises current and deferred taxation.

Current taxation

Current taxation is the expected taxation payable, using taxation rates enacted at the reporting date, including any prior year under or over provisions.

Deferred taxation

Deferred taxation is provided in full using the liability method. Provision is made for deferred taxation attributable to temporary differences in the accounting and taxation treatment of items in the financial statements. A deferred taxation liability is recognised for all temporary differences, at enacted or substantially enacted rates of taxation at the statement of financial position date, except for differences:

- Relating to goodwill;
- Arising from initial recognition of assets or liabilities which affect neither accounting nor taxable profits or losses; and
- Relating to investments in subsidiaries and joint arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

In respect of temporary differences arising on fair value adjustments on investment properties, deferred taxation is provided at the use rate if the property is considered to be a long-term strategic investment or at the capital gains effective rate if recovery is anticipated to be mainly through disposal.

A deferred taxation asset is recognised for the carry forward of unused taxation losses, unused taxation credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised. The major categories of assets and liabilities giving rise to a deferred taxation balance are investment properties revaluation surpluses, policyholder valuation basis, life fund special transfers, deferred acquisition costs, deferred revenue, unrealised gains on investments, intangible assets and provisions.

24. Provisions

Provisions are recognised when the group has a present legal or constructive obligation of uncertain timing or amount, as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

25. Operating leases

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases.

The group as lessor

Receipts of operating leases from properties held as investment properties are accounted for as income on the straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessee by way of penalty is recognised as income in the period in which termination takes place.

25. Operating leases (continued)

The group as lessee

Lease payments arising from operating leases are recognised in profit or loss on a straight-line basis over the lease term.

26. Share-based payment transactions

The group operates both equity-settled and cash-settled share-based payment compensation plans. All share options/rights issued after 7 November 2002 that had not vested by 31 December 2004 are accounted for as share-based payment transactions.

Equity compensation plans

The equity compensation staff incentive schemes that have unvested conditions are the equity growth scheme and the restricted share plan scheme.

Equity growth scheme

The equity growth scheme implemented during 2005 confers rights to permanent employees to acquire Liberty Holdings Limited shares equivalent to the value of the right at date of exercise. Delivery of the shares is affected at future dates, which are determined at the time of granting the rights. The rights issued to participants carry no entitlement to dividends or voting rights.

26. Share-based payment transactions (continued)

The fair value of the rights are measured at grant date using an appropriate model which takes into account the terms and conditions of the scheme, as well as the historical share price movement. The fair value is expensed over the vesting period on a straight-line basis in the statement of comprehensive income, over the period during which employees will become entitled to the rights granted (vesting period). The expense recognised is adjusted to ultimately reflect the actual number of rights vested, after which no further adjustments are made. The expense is credited to a share-based payments reserve. When the rights have vested the relevant amount is transferred from the share-based payment reserve to retained surplus.

Restricted share plan

The restricted share plan was introduced in 2012 and allows for two methods of participation, namely the deferred plan and the long-term incentive plan. Selected permanent key employees are granted fully paid-up shares at no consideration in terms of retention and, in certain cases, performance agreements. Unconditional vesting occurs on pre-determined dates (depending on fulfilment of a service condition) subject in certain cases to performance targets being met. Prior to vesting, these shares are held in a trust, with the employee being the vested beneficiary to the economic value and income from the share. As such, participants are entitled to receive dividends on these shares during the vesting period but hold no voting rights.

The fair value of the equity instruments granted on the date of grant is recognised in the statement of comprehensive income on a straight-line basis over the vesting period, adjusted to reflect actual levels of vesting. The expense is credited to a share-based payments reserve. There is no consideration payable by the participant when the shares vest, at which time the share-based payments reserve will be transferred to retained surplus.

Cash-settled share-based payments

The group operates various schemes that are considered cash-settled schemes in terms of IFRS 2, namely the phantom share scheme, the share unit rights scheme and, to incorporate the deferral of certain 2011 bonuses, the deferred bonus scheme. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date. Until the liability is settled, the fair value is re-measured at each reporting date and at date of settlement, with any changes in fair value recognised in profit or loss for the period.

27. Segment information

The group's products and services are managed by various business units along geographical lines, product categories and risk components. The segment information is presented by each distinct revenue-generating area representing groups of similar products, consistent with the way the group manages the business. These are long-term insurance (retail and corporate), short-term insurance and asset management. Given the nature of operations, there are no major customers within any of the segments. The information is presented in the same format as is presented to the chief operating decision maker when making operating decisions and for allocating resources and assessing performance. Certain reporting adjustments are provided separately to reconcile to IFRS reported earnings.

Key judgements in applying assumptions on application of accounting policies

Key assumptions can materially affect the reported amounts of assets and liabilities. The assumptions require complex management judgements and are therefore continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key assumptions, where applicable, for each line item within the statement of financial position are described below.

Equipment

Depreciation charges: The useful lives and residual values per class of equipment are estimated and annually reviewed to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the group and the calculated depreciation charge to be applied in each reporting period. The range of useful lives and the amortisation methodology are contained in section 6 of the accounting policies and details of depreciation charged in note 3 to the financial statements.

Owner-occupied and investment properties (including operating lease accrued income and accrued expenses)

Determination of fair value: Investment and owner-occupied properties are measured at fair value taking into account characteristics of the properties that market participants would take into account when pricing the property at measurement date. These include various inputs relating to existing tenant terms, location, vacancy levels and restrictions, if any, on the sale or use of the asset. The group makes judgement regarding the unit of account, i.e. whether it should be valued as a stand-alone property or as a group of properties. Determination of fair value for a non-financial asset also considers the current use of the property in terms of its highest and best use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible. Management derived risk adjusted discount rates factor in liquidity and asset class risk. Refer note 4 and 5 on the group financial statements for specific details, including a sensitivity analysis on the fair value of these properties to a change in the capitalisation rate assumption. Given the number of management judgements applied in the valuation, these assets are considered to be level three in the fair value hierarchy.

Financial assets and liabilities including held for trading or held for hedging assets and liabilities and interests in associates – measured at fair value

Fair value measurement: The group holds a number of financial assets and liabilities that are designated at fair value through profit or loss or that are classified as held for hedging. These are valued at quoted liquid market prices as far as possible. However, if such prices are unavailable, fair value is based on either internal valuations or management's best estimates of realisable amounts. The group's valuation methodologies have been set out in sections 10, 11, 12 and 18 of the accounting policies. Analysis of assets and liabilities for the fair value hierarchy is contained in note 1.3. The value of the instruments can fluctuate on a daily basis and consequently the actual amounts realised subsequently may differ materially from their value at the reporting date. Financial instruments that are measured using the most advantageous active market quoted prices are measured on the market's reported closing price at 31 December. The closing price is often the particular markets defined "ruling price" commonly accepted by market participants as a practical expediency to reflect exit price. Full disclosure of unquoted financial instruments, valuation hierarchy and sensitivities are contained in the risk management section of this report. Given the number of management judgements applied in the valuation of unquoted equity instruments most are considered to be level three in the fair value hierarchy.

With regard to the application of cash flow hedge accounting, management applies judgement in assessing, at both inception of the hedge and on an ongoing basis, whether the hedging instruments are effective in offsetting changes in fair values or cash flows of hedged items.

Interests in subsidiaries

Unincorporated property partnerships: The group owns majority stakes in certain properties and controls the management of those properties. The group has power over all significant decisions around the use and maintenance of those properties and it has therefore classified these as businesses and hence classified these interests as subsidiaries.

Interests in subsidiaries and associates – mutual funds: The group has assessed its interests in the various mutual fund investments in which the group has the irrevocable asset management agreement over the mutual funds and in which the group has invested significantly. For other mutual funds, other factors such as the existence of control through voting rights held by the group in the fund, or significant economic power in the fund, are considered in the assessment of control. Judgement is required in the assessment of whether the group has control or significant influence in terms of the variability of returns from the group's involvement in the funds, the ability to use power to affect those returns and the significance of the group's investment in the funds. Based on the assessment of control or significant influence over these mutual funds, certain funds have been either classified as subsidiaries or associates respectively.

Unconsolidated structured entities – mutual funds

The group invests in various mutual funds which are widely recognised as investment trusts that are regulated by government agencies, marketed and open to public investment. These funds provide investors with access to returns on underlying assets in terms of pre-defined mandates. Pricing information is publically available.

Management do not consider these vehicles to be unconsolidated structured entities as defined under IFRS 12.

Key judgements in applying assumptions on application of accounting policies *(continued)*

Intangible assets

Identification and initial recognition: Internally generated software assets are subject to an assessment that the costs incurred are in relation to a technically feasible project for which the group has the intention and ability to complete. Intangible assets acquired as part of business combinations are capitalised at their fair value, represented by the estimated net present value of future cash flows relating to existing business, or at a value as determined by an independent valuer.

Subsequent measurement: The group does not revalue intangible assets and, where there is a finite life to the asset, amortises the initial recognition amounts over estimated useful lives, taking into account any expected residual values relating to each class of intangible asset. The amortisation method used best reflects the pattern in which the asset's future economic benefits are consumed by the group. Details of the amortisation methodology, amortisation charge and useful lives are contained in section 8 of the accounting policies and note 6 to the financial statements.

Goodwill: In assessing possible impairment of recognised goodwill the relevant supporting cash-generating units are required to be defined. Details of these are contained in note 6 to the financial statements.

Deferred acquisition costs and deferred revenue

Revenue recognition: Deferred acquisition costs in respect of investment management contracts are amortised on a straight-line basis over the expected life of the contract. Deferred revenue is released to revenue when the services are provided, over the expected duration of the contract on a straight-line basis. Refer to notes 7 and 22 for details of amounts recognised in profit or loss.

Current and deferred taxation

Liability determination: The group is subject to taxation in a number of jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Asset measurement: Deferred taxation assets are assessed for probable recoverability based on applicable estimated future business performance and related taxable projected income.

Policyholder liabilities under long-term insurance contracts and related reinsurance assets

Liability and asset determination: Policyholder liabilities under insurance contracts and reinsurance assets are derived from actual claims submitted which are not settled at reporting date, and estimates of the net present value of future claims and benefits under existing contracts, offset by probable future premiums to be received or paid (net of expected service costs). The key assumptions applied and analysis of their sensitivity have been detailed in the insurance risk and sensitivity analysis components of the risk disclosure note of this report, in section 18 and 19 of the accounting policies and in note 17 to the group financial statements.

Policyholder liabilities – investment contracts with discretionary participation features

Liability determination: The full liability represents the total fair value of the matching asset portfolio. Judgement is applied in determining annual bonus rates which in turn determine the split of the liability between the current value of policyholder obligations and the bonus stabilisation reserve.

Employee benefits – Defined benefit pension fund employer surplus and post-retirement employee benefit liabilities

Liability and asset determination: In deriving probable post-retirement employee benefit liabilities and recognised surpluses, various assumptions, for example mortality, medical cost trend rate and future salary increases, are required. Further details are contained in note 21 on the group financial statements.

Defined Benefit Pension Fund and application of the asset ceiling: The group has underwritten the Liberty Defined Benefit Pension Fund which currently is reporting a surplus position based on actuarial valuations performed for group IFRS reporting purposes. The trustees have previously resolved that surpluses are allocated 50% to the employer and 50% to potentially enhancing employee benefits.

The allocation of surpluses are however conditional on a three yearly regulatory valuation approved by the Financial Services Board. Consequently management judge the net surplus in between the three yearly regulatory valuations as conditional and the asset ceiling is referenced to the most recent FSB approved valuation. Refer to note 21 in the group financial statement for more detail.

Key judgements in applying assumptions on application of accounting policies *(continued)*

Employee benefits – share-based payments and long-term cash incentive schemes

Expense and liability determination: In calculating the amount to be expensed representing the value of share-based payments granted to employees and the movement in the liability of long-term cash incentive schemes, various assumptions relating to expected take up of rights and incentives, equity share price, dividend yields and related volatility are applied. Details of these are contained in notes 21 and 36 to the group financial statements.

Provisions

Provisions are made for known present obligations at reporting date that are likely to result in a future outflow of the group resources. Judgement is applied as to the quantum and timing of these resources considering all available information. Refer to note 25 to the group financial statements for specific detail.

Impairment

Impairment tests are conducted on all assets included in the statement of financial position. The recoverable amount is determined as the higher of fair market value or value in use. In determining the value in use, various estimates are applied including deriving future cash flows and applicable discount rates. The value in use calculations and related assumptions and estimates are most applicable to the impairment tests on equipment and properties under development, reinsurance assets, intangible assets (including goodwill) and receivables. Further details are contained in the accounting policies.

Statement of financial position

as at 31 December 2014

	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Assets					
Equipment and owner-occupied properties under development	3	**820**	973	**763**	921
Owner-occupied properties	4	**1 254**	1 277	**1 254**	1 277
Investment properties	5	**26 993**	27 217	**24 196**	24 644
Intangible assets	6	**212**	282	**161**	282
Defined benefit pension fund employer surplus	21	**277**	210	**277**	210
Deferred acquisition costs	7	**572**	513	**572**	513
Interest in subsidiaries	8			**338**	469
Interest in subsidiaries – mutual funds	9			**42 749**	22 968
Interest in consolidated structured entities	10			**11**	10
Interest in joint ventures	11		403		404
Reinsurance assets	17	**1 251**	1 126	**1 245**	1 120
Operating leases – accrued income	5	**1 261**	1 315	**420**	469
Pledged assets measured at fair value through profit or loss	12	**6 991**	1 348	**6 991**	1 348
Derivative assets	14	**7 748**	6 369	**7 695**	6 324
Interest in associates – measured at fair value through profit or loss	13	**3 371**	2 176	**3 371**	2 176
Financial investments	14	**275 899**	251 548	**231 138**	228 423
Deferred taxation	23	**135**	100		
Prepayments, insurance and other receivables	15	**2 440**	2 537	**1 886**	2 084
Cash and cash equivalents	16	**6 360**	5 073	**5 235**	4 843
Total assets		**335 584**	302 467	**328 302**	298 485
Liabilities					
Long-term policyholder liabilities		**283 742**	260 788	**283 842**	260 859
Insurance contracts	17	**194 277**	179 884	**194 377**	179 955
Investment contracts with discretionary participation features	17	**8 632**	7 730	**8 632**	7 730
Financial liabilities under investment contracts	18	**80 833**	73 174	**80 833**	73 174
Financial liabilities at amortised cost	19	**3 575**	3 074	**3 575**	3 074
Third party liabilities arising on consolidation of mutual funds	20	**3 070**	461		
Employee benefits	21	**978**	931	**967**	923
Deferred revenue	22	**207**	185	**207**	185
Deferred taxation	23	**4 064**	3 523	**4 049**	3 514
Deemed disposal taxation liability	24	**268**	544	**268**	544
Provisions	25	**173**	195	**173**	195
Derivative liabilities	14	**5 109**	4 844	**5 109**	4 844
Insurance and other payables	26	**13 234**	8 485	**12 714**	8 174
Current taxation		**228**	863	**288**	830
Total liabilities		**314 648**	283 893	**311 192**	283 142
Equity					
Ordinary shareholders' interests		**17 215**	15 070	**17 110**	15 343
Share capital	27	**29**	29	**29**	29
Retained surplus		**17 752**	15 622	**17 649**	15 895
Other reserves		**(566)**	(581)	**(568)**	(581)
Non-controlling interests		**3 721**	3 504		
Total equity		**20 936**	18 574	**17 110**	15 343
Total equity and liabilities		**335 584**	302 467	**328 302**	298 485

Statement of comprehensive income

for the year ended 31 December 2014

	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Revenue					
Insurance premium revenue	28	**39 760**	34 182	**39 708**	26 023
Reinsurance premiums	28	**(918)**	(1 013)	**(905)**	(754)
Net insurance premiums		**38 842**	33 169	**38 803**	25 269
Service fee income from investment contracts	29	**914**	899	**914**	868
Investment income	30	**13 177**	10 726	**11 579**	10 523
Hotel operation sales		**673**	809	**552**	692
Investment gains	31	**17 081**	26 845	**16 738**	24 785
Fee revenue and reinsurance commission	32	**105**	95	**118**	81
Distribution of profits from subsidiaries – unincorporated property partnerships				**574**	531
Total revenue		**70 792**	72 543	**69 278**	62 749
Claims and policyholders' benefits under insurance contracts	33	**(31 559)**	(24 606)	**(31 534)**	(18 064)
Insurance claims recovered from reinsurers	33	**863**	805	**853**	615
Change in long-term policyholder liabilities		**(15 158)**	(20 498)	**(15 187)**	(20 372)
Insurance contracts		**(14 381)**	(15 739)	**(14 410)**	(15 637)
Investment contracts with discretionary participation features		**(902)**	(4 926)	**(902)**	(4 922)
Applicable to reinsurers		**125**	167	**125**	187
Fair value adjustment to policyholders' liabilities under investment contracts	18	**(7 382)**	(9 990)	**(7 382)**	(10 444)
Fair value adjustment on third party mutual fund interests	20	**(336)**	(92)		
Acquisition costs	34	**(4 056)**	(3 725)	**(3 992)**	(2 656)
General marketing and administration expenses	35	**(6 591)**	(6 479)	**(6 020)**	(4 748)
Finance costs	37	**(351)**	(277)	**(351)**	(275)
Profit share allocations under bancassurance and other agreements		**(864)**	(950)	**(866)**	(306)
Profit before taxation		**5 358**	6 731	**4 799**	6 499
Taxation	38	**(1 667)**	(2 694)	**(1 780)**	(2 318)
Total earnings		**3 691**	4 037	**3 019**	4 181
Other comprehensive income		**(72)**	(65)	**(72)**	(96)
Items that may be reclassified subsequently to profit and loss		**(93)**	(101)	**(93)**	(132)
Net change in fair value on cash flow hedges		**(129)**	(183)	**(129)**	(185)
Income and capital gains tax relating to net change in fair value on cash flow hedges		**36**	53	**36**	53
Foreign currency translation			29		
Items that may not be reclassified subsequently to profit and loss		**21**	36	**21**	36
Owner occupied properties – fair value adjustment		**22**	33	**22**	33
Income and capital gains tax relating to owner occupied properties fair value adjustment		**(10)**	(11)	**(10)**	(11)
Change in long-term policyholder insurance liabilities (application of shadow accounting)		**(12)**	(22)	**(12)**	(22)
Actuarial gains on post-retirement medical aid liability		**(15)**	24	**(15)**	24
Income tax relating to post-retirement medical aid liability		**4**	(7)	**4**	(7)
Net adjustments to defined benefit pension fund		**62**	26	**62**	26
Income tax relating to defined benefit pension fund		**(30)**	(7)	**(30)**	(7)
Total comprehensive income		**3 619**	3 972	**2 947**	4 085
Total earnings attributable to:					
Ordinary shareholders' interests		**3 395**	3 472		
Non-controlling interests		**296**	565		
		3 691	4 037		
Total comprehensive income attributable to:					
Ordinary shareholders' interests		**3 323**	3 393		
Non-controlling interests		**296**	579		
		3 619	3 972		

Statement of changes in group shareholders' funds

for the year ended 31 December 2014

	Share capital and share premium Rm	CRRF Rm	FCTR Rm	Cash flow hedging reserve Rm	Owner occupied properties Rm	Empowerment reserve Rm	Share based payment reserve Rm	Retained surplus Rm	Non-controlling interests Rm	Total Rm
Balance at 1 January 2013	29	5	1	(11)	410	(1 012)	26	13 822	3 010	16 280
Disposal of interests in subsidiaries								(61)	(77)	(138)
Realised FCTR recycled through profit or loss			(16)							(16)
Total comprehensive income			15	(130)	22			3 486[1]	579	3 972
Ordinary dividends								(1 653)		(1 653)
Unincorporated property partnerships									(6)	(6)
Capital contribution									184	184
Distribution									(190)	(190)
Non-controlling interest share of subsidiary dividend									(2)	(2)
BEE transaction						107		64		171
Share based payments							53			53
Transfer of vested share based payments							(1)	1		
Funding of restricted share plan								(87)		(87)
Transfer of owner occupied properties					(50)			50		
Balance at 31 December 2013	**29**	**5**		**(141)**	**382**	**(905)**	**78**	**15 622**	**3 504**	**18 574**
Total comprehensive income				**(93)**	**12**			**3 404**[1]	**296**	**3 619**
Ordinary dividends								**(1 290)**		**(1 290)**
Unincorporated property partnerships									**(79)**	**(79)**
Capital contribution									**126**	**126**
Distribution									**(205)**	**(205)**
BEE transaction						**98**		**55**		**153**
Share based payments							**76**			**76**
Transfer of vested share based payments							**(48)**	**48**		
Funding of restricted share plan								**(117)**		**(117)**
Transfer of owner occupied properties					**(30)**			**30**		
Balance at 31 December 2014	**29**	**5**		**(234)**	**364**	**(807)**	**106**	**17 752**	**3 721**	**20 936**

[1] *Includes change in long-term policyholder insurance liabilities (application of shadow accounting), post-retirement obligations, together with total earnings attributable to ordinary shareholders interests*

Statement of changes in company shareholders' funds

for the year ended 31 December 2014

	Share capital and share premium Rm	CRRF Rm	Cash flow hedging reserve Rm	Owner occupied properties Rm	Empowerment reserve Rm	Share based payment reserve Rm	Retained surplus Rm	Total Rm
Balance at 1 January 2013	29	5	(9)	410	(1 012)	26	12 438	11 887
Excess over net asset value acquired as a result of life license rationalisation							850	850
Total comprehensive income			(132)	22			4 195[1]	4 085
Ordinary dividends							(1 653)	(1 653)
BEE transaction					107		64	171
Share based payments						53		53
Transfer of vested share based payments						(1)	1	
Funding of restricted share plan							(50)	(50)
Transfer of owner occupied properties				(50)			50	
Balance at 31 December 2013	**29**	**5**	**(141)**	**382**	**(905)**	**78**	**15 895**	**15 343**
Total comprehensive income			**(93)**	**12**			**3 028**[1]	**2 947**
Ordinary dividends							**(1 290)**	**(1 290)**
BEE transaction					**98**		**55**	**153**
Share based payments						**74**		**74**
Transfer of vested share based payments						**(48)**	**48**	
Funding of restricted share plan							**(117)**	**(117)**
Transfer of owner occupied properties				**(30)**			**30**	
Balance at 31 December 2014	**29**	**5**	**(234)**	**364**	**(807)**	**104**	**17 649**	**17 110**

[1] *Includes change in long-term policyholder insurance liabilities (application of shadow accounting), post-retirement obligations, together with total earnings attributable to ordinary shareholders interests*

Statement of cash flows
for the year ended 31 December 2014

	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Cash flows from operating activities		**15 498**	4 936	**13 145**	10 125
Cash generated from operations	40	**9 110**	1 200	**5 667**	3 504
Cash receipts from policyholders		**54 193**	47 393	**54 141**	29 860
Cash paid to policyholders, intermediaries, suppliers and employees		**(45 083)**	(46 193)	**(48 474)**	(26 356)
Interest received		**7 724**	6 036	**7 189**	4 654
Interest paid		**(351)**	(277)	**(351)**	(275)
Distribution of profits from subsidiaries – unincorporated property partnerships				**574**	531
Distribution to non-controlling interest in unicorporated property partnerships		**(205)**	(190)		
Dividends received		**3 292**	2 428	**3 292**	4 726
Dividends paid	41	**(1 974)**	(2 262)	**(1 137)**	(1 482)
Taxation paid	42	**(2 098)**	(1 999)	**(2 089)**	(1 533)
Cash flows from investing activities		**(14 721)**	(4 562)	**(13 137)**	(11 379)
Net sales/(purchases) of investment and owner-occupied properties		**1 428**	(559)	**1 539**	(382)
Purchase of equipment		**(178)**	(419)	**(172)**	(434)
Proceeds on sale of equipment		**133**	4	**134**	5
Net purchases of financial instruments[1]		**(16 057)**	(3 604)	**(14 429)**	(10 446)
Net movements in loans with subsidiaries	8.2			**(71)**	(34)
Shares issued in subsidiaries				**(142)**	(96)
Net movement on loans with joint venture companies		**4**		**4**	
Acquisition of intangibles		**(51)**	(44)		(44)
Proceeds on disposal of African subsidiaries	39.2		52		52
Proceeds on sale of intangible assets			8		
Cash flow from financing activities		**510**	1 134	**384**	987
Repayment of financing liabilities at amortised cost		**5**	38	**5**	38
Advance of financial liabilities at amortised cost		**496**	999	**496**	999
Capital movement in non-controlling interests in unincorporated property partnerships		**126**	184		
Funding of restricted share plan		**(117)**	(87)	**(117)**	(50)
Net increase/(decrease) in cash and cash equivalents		**1 287**	1 508	**392**	(267)
Cash and cash equivalents at the beginning of the year		**5 073**	3 682	**4 843**	2 052
Cash and cash equivalents disposed of through business disposals	39.2		(127)		
Transfer of insurance business arising from life license rationalisation	39.1				3 058
Foreign currency translation			10		
Cash and cash equivalents at the end of the year		**6 360**	5 073	**5 235**	4 843

[1] *This includes the net sales/(purchases) of mutual funds that are classified as associates and subsidiaries.*

1. Risk disclosures

This note only contains company specific information relating to Liberty Group Limited group and Liberty Group Limited company. For full disclosure of Liberty's risk management refer to the risk management section of the company's holding company, Liberty Holdings Limited's integrated report.

1.1 Significant classes of business most affected by insurance risk

(a) Exposures by size of sum assured (Retail)

The following table provides a summary of the profile of amounts at risk per life in terms of mortality benefits before and after reinsurance for Retail risk business:

	Group			
	Before reinsurance		After reinsurance	
Retail sums assured at risk (R)	**Rm**	**%**	**Rm**	**%**
2014				
0 – 1 499 999	**362 863**	**39**	**340 471**	**42**
1 500 000 – 2 999 999	**199 563**	**21**	**178 830**	**22**
3 000 000 – 7 499 999	**237 887**	**25**	**208 493**	**26**
7 500 000 and above	**146 135**	**15**	**82 281**	**10**
Total	**946 448**	**100**	**810 075**	**100**
2013				
0 – 1 499 999	352 195	40	340 417	45
1 500 000 – 2 999 999	182 966	21	165 629	22
3 000 000 – 7 499 999	215 540	25	187 007	25
7 500 000 and above	125 427	14	61 941	8
Total	876 128	100	754 994	100

	Company			
	Before reinsurance		After reinsurance	
Retail sums assured at risk (R)	**Rm**	**%**	**Rm**	**%**
2014				
0 – 1 499 999	**356 706**	**38**	**335 730**	**42**
1 500 000 – 2 999 999	**197 596**	**21**	**177 994**	**22**
3 000 000 – 7 499 999	**236 557**	**25**	**208 230**	**26**
7 500 000 and above	**145 844**	**16**	**82 256**	**10**
Total	**936 703**	**100**	**804 210**	**100**
2013				
0 – 1 499 999	347 351	40	337 026	45
1 500 000 – 2 999 999	181 125	21	164 632	22
3 000 000 – 7 499 999	214 316	25	186 684	25
7 500 000 and above	125 138	14	61 908	8
Total	867 930	100	750 250	100

1. Risk disclosures (continued)

1.1 Significant classes of business most affected by insurance risk (continued)

(b) Exposures by size of sum assured (Corporate)

The following table provides a summary of the profile of amounts at risk per life in terms of mortality benefits before and after reinsurance for Corporate risk business:

	Group			
	Before reinsurance		After reinsurance	
Corporate sums assured at risk (R)	**Rm**	**%**	**Rm**	**%**
2014				
0 – 1 499 999	**184 223**	**58**	**183 069**	**63**
1 500 000 – 2 999 999	**59 522**	**19**	**58 999**	**20**
3 000 000 – 7 499 999	**53 665**	**17**	**43 461**	**15**
7 500 000 and above	**18 247**	**6**	**6 353**	**2**
Total	**315 657**	**100**	**291 882**	**100**
2013				
0 – 1 499 999	167 513	60	166 387	64
1 500 000 – 2 999 999	51 544	19	51 034	20
3 000 000 – 7 499 999	45 334	16	35 656	14
7 500 000 and above	15 169	5	4 998	2
Total	279 560	100	258 075	100

	Company			
	Before reinsurance		After reinsurance	
Corporate sums assured at risk (R)	**Rm**	**%**	**Rm**	**%**
2014				
0 – 1 499 999	**183 900**	**58**	**183 069**	**63**
1 500 000 – 2 999 999	**59 522**	**19**	**58 999**	**20**
3 000 000 – 7 499 999	**53 665**	**17**	**43 461**	**15**
7 500 000 and above	**18 247**	**6**	**6 353**	**2**
Total	**315 334**	**100**	**291 882**	**100**
2013				
0 – 1 499 999	167 242	60	166 387	64
1 500 000 – 2 999 999	51 544	19	51 034	20
3 000 000 – 7 499 999	45 334	16	35 656	14
7 500 000 and above	15 169	5	4 998	2
Total	279 289	100	258 075	100

1. Risk disclosures (continued)

1.1 Significant classes of business most affected by insurance risk (continued)

(c) Exposure by industry

For Corporate risk business, the exposure per industry class is monitored in order to maintain a diversified portfolio of risks and manage concentration exposure to a particular industry class. The following table splits the annual Corporate risk business by industry class.

	Group and Company	
Industry class	2014 %	2013 %
Administrative/professional	32	30
Retail	22	23
Light manufacturing	27	28
Heavy manufacturing	16	16
Heavy industrial and other high risk	3	3
Total	100	100

Corporate risk contracts contain exclusions for atomic, biological and chemical extreme events as well as for active participation in war or riot.

(d) Longevity risk

The profile of annuity amounts payable per life net of reinsurance, in respect of life and disability income annuities, is as follows:

	Group and Company			
Annuity amount per annum (R)	Life and disability annuities in payment 2014 Number	Annual annuity amount exposure 2014 Rm	Life and disability annuities in payment 2013 Number	Annual annuity amount exposure 2013 Rm
0 – 240 000	89 973	2 036	86 949	1 794
240 000 – 480 000	968	306	740	231
480 000 – 720 000	133	77	101	59
720 000 and above	55	55	41	41
Total	91 129	2 474	87 831	2 125

The table above shows the concentration risk is likely to be small given the large number of lives and the annuity profile being heavily weighted to lower annuity amounts per annum.

1. Risk disclosures (continued)

1.2 Summary of the group and company's financial, property and insurance assets and liabilities per class

1.2.1 Assets per class

	Rand denominated		Foreign		Total	
Group	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Equity instruments	**81 711**	68 265	**537**	376	**82 248**	68 641
Listed ordinary shares on the JSE	**81 008**	68 208	**45**		**81 053**	68 208
Listed ordinary shares on foreign exchanges			**492**	376	**492**	376
Unlisted	**297**	57			**297**	57
Interest in associate – fair value unlisted equity	**406**				**406**	
Debt instruments	**68 954**	56 604	**6 885**	4 712	**75 839**	61 316
Listed preference shares on the JSE or foreign exchanges	**913**	1 484	**88**	5	**1 001**	1 489
Unlisted preference shares	**691**	1 140			**691**	1 140
Listed term deposits[1] on BESA, or JSE or foreign exchanges	**46 185**	37 780	**6 619**	4 416	**52 804**	42 196
Loans	**1 044**	977			**1 044**	977
Loan in associate – fair value	**544**				**544**	
Unlisted term deposits[1]	**19 577**	15 223	**178**	291	**19 755**	15 514
Mutual funds[2]	**87 065**	69 990	**34 323**	29 480	**121 388**	99 470
Active market	**83 861**	67 568	**34 323**	29 480	**118 184**	97 048
Property	**7 202**	4 949	**160**	43	**7 362**	4 992
Equity instruments	**19 149**	17 385	**23 159**	21 469	**42 308**	38 854
Interest-bearing instruments	**22 987**	18 361	**7 105**	4 527	**30 092**	22 888
Mixed	**34 523**	26 873	**3 899**	3 441	**38 422**	30 314
Non-active market	**3 204**	2 422			**3 204**	2 422
Equity instruments	**2 667**	2 266			**2 667**	2 266
Interest-bearing instruments	**471**				**471**	
Mixed	**66**	156			**66**	156
Investment policies	**5 678**	24 577	**1 108**	1 068	**6 786**	25 645
Interest linked	**93**				**93**	
Mixed	**5 585**	24 577	**1 108**	1 068	**6 693**	25 645
Reinsurance assets	**1 251**	1 126			**1 251**	1 126
Derivatives	**5 041**	5 025	**(92)**	(87)	**4 949**	4 938
Derivative collateral deposits	**2 799**	1 431			**2 799**	1 431
Prepayments, insurance and other receivables	**2 404**	2 579	**36**	16	**2 440**	2 595
Current balance related to						
– Insurance contracts	**785**	774			**785**	774
– Investment contracts	**193**	76			**193**	76
Other prepayments, insurance and other receivables	**1 426**	1 729	**36**	16	**1 462**	1 745
Joint venture loan and receivables		4				4
Cash and cash equivalents	**5 905**	4 918	**455**	155	**6 360**	5 073
Property	**29 508**	29 809			**29 508**	29 809
Total financial property and insurance assets	**290 316**	264 328	**43 252**	35 720	**333 568**	300 048

(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 either property, equity, 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.*

1. Risk disclosures (continued)

1.2 Summary of the group and company's financial, property and insurance assets and liabilities per class (continued)

1.2.1 Assets per class *(continued)*

	Rand denominated		Foreign		Total	
Company	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Equity instruments	**67 691**	65 065	**536**	273	**68 227**	65 338
Listed ordinary shares on the JSE	**66 988**	65 008	**44**		**67 032**	65 008
Listed ordinary shares on foreign exchanges			**492**	273	**492**	273
Unlisted	**297**	57			**297**	57
Interest in associate – fair value unlisted equity	**406**				**406**	
Debt instruments	**46 044**	38 410	**6 885**	4 712	**52 929**	43 122
Listed preference shares on the JSE or foreign exchanges	**894**	1 484	**88**	5	**982**	1 489
Unlisted preference shares	**691**	1 140			**691**	1 140
Listed term deposits[1] on BESA, or JSE or foreign exchanges	**23 359**	19 586	**6 619**	4 416	**29 978**	24 002
Loans	**1 044**	977			**1 044**	977
Loan in associate – fair value	**544**				**544**	
Unlisted term deposits[1]	**19 512**	15 223	**178**	291	**19 690**	15 514
Mutual funds[2]	**124 023**	91 350	**33 392**	30 527	**157 415**	121 877
Active market	**118 895**	87 092	**32 473**	29 598	**151 368**	116 690
Property	**7 065**	4 949	**160**	161	**7 225**	5 110
Equity instruments	**29 894**	20 346	**22 211**	21 469	**52 105**	41 815
Interest-bearing instruments	**42 940**	34 925	**6 203**	4 527	**49 143**	39 452
Mixed	**38 996**	26 872	**3 899**	3 441	**42 895**	30 313
Non-active market	**5 128**	4 258	**919**	929	**6 047**	5 187
Equity instruments	**2 667**	2 266			**2 667**	2 266
Interest-bearing instruments	**1 992**	1 446			**1 992**	1 446
Mixed	**469**	546	**919**	929	**1 388**	1 475
Investment policies	**5 678**	24 578			**5 678**	24 578
Interest linked	**93**				**93**	
Mixed	**5 585**	24 578			**5 585**	24 578
Reinsurance assets	**1 245**	1 120			**1 245**	1 120
Derivatives	**4 989**	4 981	**(93)**	(88)	**4 896**	4 893
Derivative collateral deposits	**2 799**	1 431			**2 799**	1 431
Prepayments, insurance and other receivables	**1 886**	2 084			**1 886**	2 084
Current balance related to						
– Insurance contracts	**775**	770			**775**	770
– Investment contracts	**193**	76			**193**	76
Other prepayments, insurance and other receivables	**918**	1 238			**918**	1 238
Joint venture loan and receivables		4				4
Loan receivables from subsidiaries	**184**	113			**184**	113
Cash and cash equivalents	**4 876**	4 726	**359**	117	**5 235**	4 843
Property	**25 870**	26 390			**25 870**	26 390
Total financial property and insurance assets	**285 285**	260 252	**41 079**	35 541	**326 364**	295 793

[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 either property, equity, 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.*

1. Risk disclosures (continued)

1.2 Summary of the group and company's financial, property and insurance assets and liabilities per class (continued)

1.2.2 Liabilities per class

	Policyholder liability class			
Group	**Insurance contracts Rm**	**Investment contracts Rm**	**Investment contracts with DPF Rm**	**Total per statement of financial position Rm**
2014				
Unit-linked (excluding discretionary participation features (DPF))	**145 168**	**78 468**		**223 636**
Business with DPF	**20 787**		**8 632**	**29 419**
Non-participating annuities (including disability income in claim)	**23 855**	**1 637**		**25 492**
Guaranteed capital endowments	**8 700**	**766**		**9 466**
Retail pure risk (excluding disability income annuities in claim)	**(6 339)**			**(6 339)**
Group risk (excluding group disability income annuities in claim)	**415**			**415**
Embedded derivatives	**1 691**	**(38)**		**1 653**
Total long-term policyholder liabilities	**194 277**	**80 833**	**8 632**	**283 742**
2013				
Unit-linked (excluding discretionary participation features (DPF))	135 163	71 807		206 970
Business with DPF	20 771		7 730	28 501
Non-participating annuities (including disability income in claim)	18 560	1 399		19 959
Guaranteed capital endowments	8 856			8 856
Retail pure risk (excluding disability income annuities in claim)	(5 921)			(5 921)
Group risk (excluding group disability income annuities in claim)	433			433
Embedded derivatives	2 022	(32)		1 990
Total long-term policyholder liabilities	179 884	73 174	7 730	260 788

1. Risk disclosures (continued)

1.2 Summary of the group and company's financial, property and insurance assets and liabilities per class (continued)

1.2.2 Liabilities per class *(continued)*

	Policyholder liability class			
Company	Insurance contracts Rm	Investment contracts Rm	Investment contracts with DPF Rm	Total per statement of financial position Rm
2014				
Unit-linked (excluding discretionary participation features (DPF))	**145 168**	**78 468**		**223 636**
Business with DPF	**20 787**		**8 632**	**29 419**
Non-participating annuities (including disability income in claim)	**23 851**	**1 637**		**25 488**
Guaranteed capital endowments	**8 700**	**766**		**9 466**
Retail pure risk (excluding disability income annuities in claim)	**(6 235)**			**(6 235)**
Group risk (excluding group disability income annuities in claim)	**415**			**415**
Embedded derivatives	**1 691**	**(38)**		**1 653**
Total long-term policyholder liabilities	**194 377**	**80 833**	**8 632**	**283 842**
2013				
Unit-linked (excluding discretionary participation features (DPF))	135 163	71 807		206 970
Business with DPF	20 771		7 730	28 501
Non-participating annuities (including disability income in claim)	18 557	1 399		19 956
Guaranteed capital endowments	8 856			8 856
Retail pure risk (excluding disability income annuities in claim)	(5 847)			(5 847)
Group risk (excluding group disability income annuities in claim)	433			433
Embedded derivatives	2 022	(32)		1 990
Total long-term policyholder liabilities	179 955	73 174	7 730	260 859

1. Risk disclosures (continued)

1.2 Summary of the group and company's financial, property and insurance assets and liabilities per class (continued)

1.2.3 Reconciliation of financial asset classes to financial position

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Properties	**29 508**	29 809	**25 870**	26 390
Owner-occupied properties	**1 254**	1 277	**1 254**	1 277
Investment properties	**26 993**	27 217	**24 196**	24 644
Operating leases – accrued income	**1 261**	1 315	**420**	469
Interests in subsidiaries – loans receivable			**184**	113
Interest in subsidiary mutual funds			**42 749**	22 968
Held-to-maturity financial instruments with joint ventures		4		4
Reinsurance assets	**1 251**	1 126	**1 245**	1 120
Interest in associates – measured at fair value	**3 371**	2 176	**3 371**	2 176
Financial investments	**275 899**	251 548	**231 138**	228 423
Pledged assets	**6 991**	1 348	**6 991**	1 348
Assets held for trading	**7 748**	6 369	**7 695**	6 324
Prepayments, insurance and other receivables	**2 440**	2 537	**1 886**	2 084
Cash and cash equivalents	**6 360**	5 073	**5 235**	4 843
Total financial, property and insurance assets	**333 568**	299 990	**326 364**	295 793
Other assets not included in the financial asset class table				
Equipment and owner occupied properties under development	**820**	973	**763**	921
Intangible assets	**212**	282	**161**	282
Interest in subsidiaries			**154**	356
Interest in consolidated structured entities			**11**	10
Interest in joint ventures equity		399		400
Deferred taxation	**135**	100		
Defined benefit pension fund employer surplus	**277**	210	**277**	210
Deferred acquisition costs	**572**	513	**572**	513
Total assets on statement of financial position	**335 584**	302 467	**328 302**	298 485

1. Risk disclosures (continued)

1.3 Fair value hierarchy

1.3.1 Introduction

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The group adopted the amendments to IFRS 7 with effect from 1 January 2009 and IFRS 13 *Fair Value Measurement* with effect from 1 January 2013. This requires disclosure of fair value measurements by level according to the following fair value measurement hierarchies:

- 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.

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.

1.3.2 Liability hierarchy

The table below analyses the fair value measurements of financial instrument liabilities by level.

	Group			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2014				
Policyholder long-term investment contract liabilities		**80 833**		**80 833**
Third party liabilities arising on consolidation of mutual funds		**3 070**		**3 070**
Derivatives		**5 109**		**5 109**
Liabilities subject to fair value hierarchy analysis		**89 012**		**89 012**
2013				
Policyholder long-term investment contract liabilities		73 174		73 174
Third party liabilities arising on consolidation of mutual funds		461		461
Derivatives		4 844		4 844
Liabilities subject to fair value hierarchy analysis		78 479		78 479

	Company			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2014				
Policyholder long-term investment contract liabilities		**80 833**		**80 833**
Derivatives		**5 109**		**5 109**
Liabilities subject to fair value hierarchy analysis		**85 942**		**85 942**
2013				
Third party liabilities arising on consolidation of mutual funds		73 174		73 174
Derivatives		4 844		4 844
Liabilities subject to fair value hierarchy analysis		78 018		78 018

1. Risk disclosures (continued)

1.3 Fair value hierarchy (continued)

1.3.3 Asset hierarchy

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

	Group			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2014				
Assets				
Equity instruments	81 545		703	82 248
Listed ordinary shares on the JSE	81 053			81 053
Foreign equities listed on an exchange other than the JSE	492			492
Unlisted equities			297	297
Interest in associates – measured at fair value			406	406
Debt instruments	40 291	33 448	1 056	74 795
Preference shares listed on the JSE or foreign exchanges	1 001			1 001
Unlisted preference shares		480	211	691
Listed term deposits[1] on BESA, JSE or foreign exchanges	39 290	13 391	123	52 804
Unlisted term deposits[1]		19 577	178	19 755
Interest in associates – measured at fair value			544	544
Mutual funds[2]	2 933	118 116	339	121 388
Active market	2 933	115 251		118 184
Property	55	7 307		7 362
Equity		42 308		42 308
Interest-bearing instruments		30 092		30 092
Mixed	2 878	35 544		38 422
Non-active market		2 865	339	3 204
Equity		2 620	47	2 667
Interest-bearing instruments		244	227	471
Mixed		1	65	66
Investment policies		6 786		6 786
Derivatives		4 949		4 949
Equity		1 304		1 304
Foreign exchange		6		6
Interest rate		3 639		3 639
Properties (investment and owner-occupied)			29 508	29 508
Assets subject to fair value hierarchy analysis	124 769	163 299	31 606	319 674

[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.*

1. Risk disclosures (continued)

1.3 Fair value hierarchy (continued)

1.3.3 Asset hierarchy (continued)

	Group			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2013				
Assets				
Equity instruments	68 584	7	450	69 041
Listed ordinary shares on the JSE	68 208			68 208
Foreign equities listed on an exchange other than the JSE	376			376
Unlisted equities		7	50	57
Interest in joint ventures – measured at fair value			400	400
Debt instruments	40 855	19 356	128	60 339
Preference shares listed on the JSE or foreign exchanges	1 489			1 489
Unlisted preference shares		1 012	128	1 140
Listed term deposits[1] on BESA, JSE or foreign exchanges	39 366	2 830		42 196
Unlisted term deposits[1]		15 514		15 514
Mutual funds[2]		99 224	246	99 470
Active market		97 048		97 048
Property		4 992		4 992
Equity		38 854		38 854
Interest-bearing instruments		22 888		22 888
Mixed		30 314		30 314
Non-active market		2 176	246	2 422
Equity		2 176	90	2 266
Mixed			156	156
Investment policies		25 645		25 645
Derivatives		4 938		4 938
Equity		1 226		1 226
Interest rate		3 712		3 712
Properties (investment and owner-occupied)			29 809	29 809
Assets subject to fair value hierarchy analysis	109 439	149 170	30 633	289 242

[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.

1. Risk disclosures (continued)

1.3 Fair value hierarchy (continued)

1.3.3 Asset hierarchy (continued)

	Company			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2014				
Assets				
Equity instruments	**67 524**		**703**	**68 227**
Listed ordinary shares on the JSE	**67 032**			**67 032**
Foreign equities listed on an exchange other than the JSE	**492**			**492**
Unlisted equities			**297**	**297**
Interest in associates – measured at fair value			**406**	**406**
Debt instruments	**18 964**	**31 911**	**1 010**	**51 885**
Preference shares listed on the JSE or foreign exchanges	**982**			**982**
Unlisted preference shares		**480**	**211**	**691**
Listed term deposits[1] on BESA, JSE or foreign exchanges	**17 982**	**11 919**	**77**	**29 978**
Unlisted term deposits[1]		**19 512**	**178**	**19 690**
Interest in associates – measured at fair value			**544**	**544**
Mutual funds[2]	**2 843**	**153 780**	**792**	**157 415**
Active market	**2 843**	**148 525**		**151 368**
Property	**55**	**7 170**		**7 225**
Equity		**52 105**		**52 105**
Interest-bearing instruments		**49 143**		**49 143**
Mixed	**2 788**	**40 107**		**42 895**
Non-active market		**5 255**	**792**	**6 047**
Equity		**2 620**	**47**	**2 667**
Interest-bearing instruments		**1 715**	**277**	**1 992**
Mixed		**920**	**468**	**1 388**
Investment policies		**5 678**		**5 678**
Derivatives		**4 896**		**4 896**
Equity		**1 252**		**1 252**
Foreign exchange		**6**		**6**
Interest rate		**3 638**		**3 638**
Properties (investment and owner-occupied)			**25 870**	**25 870**
Assets subject to fair value hierarchy analysis	**89 331**	**196 265**	**28 375**	**313 971**

[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.*

1. Risk disclosures (continued)

1.3 Fair value hierarchy (continued)

1.3.3 Asset hierarchy (continued)

	Company			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2013				
Assets				
Equity instruments	65 281	7	450	65 738
Listed ordinary shares on the JSE	65 008			65 008
Foreign equities listed on an exchange other than the JSE	273			273
Unlisted equities		7	50	57
Interest in joint ventures – measured at fair value			400	400
Debt instruments	24 148	17 869	128	42 145
Preference shares listed on the JSE or foreign exchanges	1 489			1 489
Unlisted preference shares		1 012	128	1 140
Listed term deposits[(1)] on BESA,JSE or foreign exchanges	22 659	1 343		24 002
Unlisted term deposits[(1)]		15 514		15 514
Mutual funds[(2)]		121 241	636	121 877
Active market		116 690		116 690
Property		5 110		5 110
Equity		41 815		41 815
Interest-bearing instruments		39 452		39 452
Mixed		30 313		30 313
Non-active market		4 551	636	5 187
Equity		2 176	90	2 266
Interest-bearing instruments		1 446		1 446
Mixed		929	546	1 475
Investment policies		24 578		24 578
Derivatives		4 893		4 893
Equity		1 181		1 181
Interest rate		3 712		3 712
Properties (investment and owner-occupied)			26 390	26 390
Assets subject to fair value hierarchy analysis	89 429	168 588	27 604	285 621

(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.*

1. Risk disclosures (continued)

1.3 Fair value hierarchy (continued)

1.3.4 Fair value disclosure of financial assets and financial liabilities that are measured at amortised cost

	Group and Company			
	Amortised cost 2014 Rm	**Fair value 2014 Rm**	Amortised cost 2013 Rm	Fair value 2013 Rm
Financial assets measured at amortised cost				
Loans and receivables	**1 044**	**921**	977	862
Loans to joint ventures			4	
Financial liabilities measured at amortised cost				
Subordinated notes	**3 570**	**3 501**	3 069	3 013
Redeemable preference shares	**5**	**5**	5	5

The fair value of financial assets and liabilities as above which are measured at amortised cost is categorised into the following fair value hierarchies:

	Group and Company			
	Level 1 Rm	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**
2014				
Financial assets measured at amortised cost				
Loans and receivables			**921**	**921**
Financial liabilities measured at amortised cost				
Subordinated notes		**3 501**		**3 501**
Redeemable preference shares			**5**	**5**
2013				
Financial assets measured at amortised cost				
Loans and receivables			862	862
Financial liabilities measured at amortised cost				
Subordinated notes		3 013		3 013
Redeemable preference shares			5	5

1. Risk disclosures (continued)

1.3 Fair value hierarchy (continued)

1.3.5 Reconciliation of level 3 assets

The table below analyses the movement of level 3 assets for the year.

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Balance at beginning of year	**30 633**	29 410	**27 604**	26 760
Fair value adjustment recognised in profit or loss as part of investment gain[(1)]	**1 046**	2 437	**968**	2 116
Fair value adjustment recognised in other comprehensive income[(1)]	**22**	33	**22**	33
Additions/advances	**2 857**	1 656	**2 987**	1 479
Disposals/repayments	**(3 169)**	(2 878)	**(3 377)**	(2 966)
Reclassification from level 1[(2)]	**48**		**2**	
Reclassification from level 2[(2)]	**169**		**169**	
Transfer of business arising from life licence rationalisation				182
Business disposals		(20)		
Foreign currency translation		(5)		
Balance at end of year	**31 606**	30 633	**28 375**	27 604
Investment and owner-occupied properties	**29 508**	29 809	**25 870**	26 390
Financial instruments – equity and mutual funds	**1 042**	696	**1 495**	1 086
– debt	**1 056**	128	**1 010**	128

(1) *Included in the fair value adjustment are unrealised gains of R1 043 million (2013: R2 328 million) in group and R1 078 million (2013: R1 946 million) in company.*

(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. 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.*

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.

1. Risk disclosures (continued)

1.3 Fair value hierarchy (continued)

1.3.5 Reconciliation of level 3 assets (continued)

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 (group and company) and consortium non-controlling interests (group) which limits the impact to company or group ordinary shareholder comprehensive income or equity for any changes in the fair value measurement to an insignificant amount.

	Group		
		Change in capitalisation rate	
	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	**4 587**	**4 372**	**4 825**
Total	**29 508**	**27 656**	**31 631**
2013			
Properties between 7,0 – 9,0% capitalisation rate	22 550	21 083	24 237
Properties between 9,1 – 11,0% capitalisation rate	7 259	6 868	7 693
Total	29 809	27 951	31 930

	Company		
		Change in capitalisation rate	
	Rm	0,5% increase	0,5% decrease
2014			
Properties between 6,8 – 8,5% capitalisation rate	**21 865**	**20 426**	**23 524**
Properties between 8,6 – 10,5% capitalisation rate	**4 005**	**3 821**	**4 210**
Total	**25 870**	**24 247**	**27 734**
2013			
Properties between 7,0 – 9,0% capitalisation rate	19 420	18 137	20 893
Properties between 9,1 – 11,0% capitalisation rate	6 970	6 593	7 389
Total	26 390	24 730	28 282

Financial instrument assets

Equities and mutual funds - group R1 042 million (2013: R696 million) and company R1 495 million (2013: R1 086 million) – discount rates of between 9% to 14% (2013: discount rate of between 10% to 14%) applied.

Debt instruments group R1 056 million (2013: R128 million) and company R1 010 million (2013: R128 million) – discount rates of between 8% and 12% (2013: discount rate of 10%) applied.

Approximately 91% of the group (2013: 81%) and 81% (2013: 87%) of these company assets are allocated to policyholder unit linked portfolios and therefore changes in estimates would be offset by equal changes in liability values.

The group and company net shareholder exposure is approximately R483 million (2013: R159 million). Changes to discount rates applied of 0,5% would result in between positive R17 million to negative R16 million (group and company) after taxation net impact to profit or loss and shareholder funds.

As the financial instruments intercompany loan assets of R183 million (2013: R113 million) in the company are currently interest free and repayable on demand the carrying value cannot be below the demand deposit floor amount at reporting date. Consequently sensitivity analysis on the carrying value of these assets and liabilities is not relevant.

1. Risk disclosures (continued)

1.3 Fair value hierarchy (continued)

1.3.6 Group's valuation process

The group's appointed asset managers have qualified valuators that perform the valuations of financial assets and approved independent valuator's to determine 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 financial 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.

1.8.7 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 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

1. Risk disclosures (continued)

1.3 Fair value hierarchy (continued)

1.3.8 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 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 interest in 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 properties
	Recent arm's length transactions	Not applicable
Unlisted preference shares	DCF	Bond and interbank swap interest rate curves Agreement interest 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

1. Risk disclosures (continued)

1.4 Interest rate risk applicable to financial instrument assets and liabilities

The tables below give additional detail on financial instrument assets and liabilities and their specific interest rate exposure.

Accounts receivable, accounts payable and loan balances with group companies for the group and with subsidiaries and the group companies for the company where settlement is expected within 90 days are not included in the analysis below, since the effect of interest rate risk on these balances is not considered material given the short-term duration of these underlying cash flows.

	Group		
Financial instrument investments	**Carrying value Rm**	**Exposed to cash flow interest rate risk[1] Rm**	**Exposed to fair value interest rate risk[2] Rm**
2014			
Held at fair value through profit or loss			
Government, municipal and utility stocks	**27 754**	**142**	**27 612**
Commercial term deposits	**44 805**	**31 052**	**13 753**
Preference shares	**1 692**	**1 545**	**147**
Collateral deposits	**2 799**	**2 799**	
Cash and cash equivalents	**6 360**	**6 335**	**25**
Loans and receivables			
Loans	**1 044**	**1 044**	
Interest in associate loan	**544**	**544**	
Total	**84 998**	**43 461**	**41 537**
2013			
Held at fair value through profit or loss			
Government, municipal and utility stocks	27 122	42	27 080
Commercial term deposits	30 588	18 034	12 554
Preference shares	2 629	2 474	155
Collateral deposits	1 431	1 339	92
Cash and cash equivalents	5 073	4 282	791
Loans and receivables			
Loans	977	191	786
Held-to-maturity			
Loan receivables from joint ventures	4		4
Total	67 824	26 362	41 462

(1) *i.e. assets yield a variable rate of interest.*

(2) *i.e. assets yield a fixed rate of interest.*

1. Risk disclosures (continued)

1.4 Interest rate risk applicable to financial instrument assets and liabilities (continued)

	Company		
Financial instrument investments	**Carrying value Rm**	**Exposed to cash flow interest rate risk[1] Rm**	**Exposed to fair value interest rate risk[2] Rm**
2014			
Held at fair value through profit or loss			
Government, municipal and utility stocks	**12 099**	**35**	**12 064**
Commercial term deposits	**37 568**	**29 411**	**8 157**
Preference shares	**1 673**	**1 527**	**146**
Collateral deposits	**2 799**	**2 799**	
Cash and cash equivalents	**5 235**	**5 218**	**17**
Loans and receivables			
Loans	**1 044**	**1 044**	
Interest in associate loan	**544**	**544**	
Total	**60 962**	**40 578**	**20 384**
2013			
Held at fair value through profit or loss			
Government, municipal and utility stocks	12 301	42	12 259
Commercial term deposits	27 215	17 927	9 288
Preference shares	2 629	2 474	155
Collateral deposits	1 431	1 339	92
Cash and cash equivalents	4 843	4 052	791
Loans and receivables			
Loans	977	191	786
Held-to-maturity			
Loan receivables from joint ventures	4		4
Total	49 400	26 025	23 375

[1] *i.e. assets yield a variable rate of interest.*

[2] *i.e. assets yield a fixed rate of interest.*

The maturity profile of the financial instrument investments is as follows:

	Group		Company	
Carrying amount by maturity date	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Within 1 year	**13 042**	10 376	**11 025**	10 318
1 – 5 years	**19 464**	17 729	**15 223**	15 739
6 – 10 years	**14 283**	16 858	**8 901**	7 078
11 – 20 years	**18 352**	11 249	**9 430**	4 947
Over 20 years	**9 548**	5 107	**6 421**	5 020
Variable	**10 309**	6 505	**9 962**	6 298
Total	**84 998**	67 824	**60 962**	49 400

1. Risk disclosures (continued)

1.4 Interest rate risk applicable to financial instrument assets and liabilities (continued)

	Group and Company		
Financial instrument liabilities	**Carrying value Rm**	**Exposed to cash flow interest rate risk Rm**	**Exposed to fair value interest rate risk Rm**
2014			
At amortised cost			
Subordinated notes	**3 570**	**499**	**3 071**
2013			
At amortised cost			
Subordinated notes	3 069		3 069

1.5 Currency risk

The tables below segregates the currency exposure by major currency at 31 December (excluding interests in foreign subsidiaries for the group):

	Group									
Assets	**British pound**		**US dollar**		**Euro**		**Japanese yen**		**Other**	
Rm	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Debt instruments	**260**	247	**6 229**	4 135	**396**	330				
Equity instruments	**188**	77	**284**	145	**6**	4			**59**	150
Mutual funds	**201**	198	**33 412**	28 472	**622**	720	**88**	90		
Prepayments, insurance and other receivables				16					**36**	
Policies			**1 108**	1 068						
Cash and cash equivalents	**11**	(33)	**376**	147	**60**	33	**7**	8		
Total	**660**	489	**41 409**	33 983	**1 084**	1 087	**95**	98	**95**	150
Gross foreign currency exposure	**37**	28	**3 579**	3 239	**77**	75	**982**	981		
Derivatives protection[(1)]	**(16)**	(16)	**(937)**	(829)	**(29)**	(29)				
Net foreign currency exposure	**21**	12	**2 642**	2 410	**48**	46	**982**	981		
Exchange rate[(2)]										
Closing rate at 31 December	**18,02**	17,36	**11,57**	10,49	**14,01**	14,44	**0,10**	0,10		
Average rate during the year	**17,85**	15,09	**10,84**	9,64	**14,39**	12,81	**0,10**	0,10		

(1) *Certain currency exposures are reduced by means of cross currency swap contracts.*

(2) *Expressed as a ratio of rand equivalent to one unit of applicable currency referenced to the closing/average rate provided by the Corporate and Investment Banking Division of Standard Bank.*

1. Risk disclosures (continued)

1.5 Currency risk (continued)

Company										
Assets	**British pound**		**US dollar**		**Euro**		**Japanese yen**		**Other**	
Rm	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Debt instruments	**260**	247	**6 229**	4 135	**395**	330				
Equity instruments	**188**	77	**284**	145	**6**	4			**59**	47
Mutual funds	**201**	198	**32 527**	29 519	**577**	720	**88**	90		
Cash and cash equivalents	**11**	(33)	**281**	109	**60**	33	**7**	8		
Total	**660**	489	**39 321**	33 908	**1 038**	1 087	**95**	98	**59**	47
Gross foreign currency exposure	**37**	28	**3 399**	3 232	**74**	75	**982**	981		
Derivatives protection[(1)]	**(16)**	(16)	**(937)**	(829)	**(29)**	(29)				
Net foreign currency exposure	**21**	12	**2 462**	2 403	**45**	46	**982**	981		
Exchange rate[(2)]										
Closing rate at 31 December	**18,02**	17,36	**11,57**	10,49	**14,01**	14,44	**0,10**	0,1		
Average rate during the year	**17,85**	15,09	**10,84**	9,64	**14,39**	12,81	**0,10**	0,1		

(1) *Certain currency exposures are reduced by means of cross currency swap contracts.*

(2) *Expressed as a ratio of rand equivalent to one unit of applicable currency referenced to the closing/average rate provided by the Corporate and Investment Banking Division of Standard Bank.*

1.6 Derivative instruments

	Group		Company	
Total carrying amount of derivative instruments	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Derivatives held for trading	**1 320**	931	**1 267**	886
Gross carrying amount of assets	**4 943**	4 938	**4 890**	4 893
Gross carrying amount of liabilities	**(3 623)**	(4 007)	**(3 623)**	(4 007)
Derivatives held for hedging	**(1 480)**	(837)	**(1 480)**	(837)
Gross carrying amount of asset	**6**		**6**	
Gross carrying amount of liabilities	**(1 486)**	(837)	**(1 486)**	(837)
Net carrying value	**(160)**	94	**(213)**	49

1. Risk disclosures (continued)

1.6 Derivative instruments (continued)

The tables below summarise the open derivative positions at carrying amount by maturity date.

	Group							
	Maturity analysis of net fair value							
	Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets[1] Rm	Fair value of liabilities[1] Rm	Notional amount[2] Buy Rm	Notional amount[2] Sell Rm
2014								
Derivatives held for trading	**45**	**1 294**	**(19)**	**1 320**	**4 943**	**(3 623)**		
Foreign exchange derivatives			**(65)**			**(65)**		
Futures							**18**	**(759)**
Options							**2**	**(2)**
Swaps			**(65)**	**(65)**		**(65)**	**80**	**(80)**
Interest rate derivatives	**(1)**	**61**	**46**	**106**	**3 639**	**(3 533)**		
Futures							**1 884**	**(45)**
Forwards	**34**	**8**		**42**	**78**	**(35)**	**19 238**	**(18 365)**
Swaps	**(35)**	**(1)**	**(183)**	**(219)**	**3 278**	**(3 498)**	**182 668**	**(182 668)**
Swaptions		**54**	**229**	**283**	**283**		**11 020**	
Equity derivatives	**46**	**1 233**		**1 279**	**1 304**	**(25)**		
Futures							**8 497**	**(10 022)**
Forwards							**33**	
Options	**71**			**71**	**71**		**813**	**(501)**
Other	**(25)**	**1 233**		**1 208**	**1 233**	**(25)**	**1 188**	
Derivatives held for hedging	**6**	**(681)**	**(805)**	**(1 480)**	**6**	**(1 486)**		
Foreign exchange derivatives								
Swaps	**6**	**(681)**	**(805)**	**(1 480)**	**6**	**(1 486)**	**4 537**	**(4 537)**
Total derivative assets/ (liabilities)	**51**	**613**	**(824)**	**(160)**	**4 949**	**(5 109)**		
2013								
Derivatives held for trading	28	1 280	(377)	931	4 938	(4 007)		
Foreign exchange derivatives		(2)	(13)	(15)		(15)		
Options							219	(25)
Swaps		(2)	(13)	(15)		(15)	146	(146)
Interest rate derivatives	(61)	177	(364)	(248)	3 712	(3 960)		
Forwards	18	(16)		2	84	(82)	29 513	(11 721)
Swaps	(79)	139	(401)	(341)	3 537	(3 878)	144 091	(144 091)
Swaptions		54	37	91	91		8 280	
Equity derivatives	89	1 105		1 194	1 226	(32)		
Futures	18			18	26	(8)	7 560	(5 539)
Options	26			26	26		680	(734)
Other	45	1 105		1 150	1 174	(24)	1 077	
Derivatives held for hedging	(41)	(391)	(405)	(837)		(837)		
Foreign exchange derivatives								
Swaps	(41)	(391)	(405)	(837)		(837)	3 762	(3 762)
Total derivative assets/ (liabilities)	(13)	889	(782)	94	4 938	(4 844)		

[1] *Collateral and margin accounts deposited by Liberty or received from counterparties as security for traded derivatives are R2 799 million assets in respect of liabilities. Rnil million liabilities in respect of assets.*

[2] *The notional or underlying principal amount reflects the volume of the group's exposure in derivative financial instruments. It represents the amount to which a rate or price is applied to calculate the exchange of cash flows. The amount at risk inherent in these contracts is significantly less than the notional amount.*

1. Risk disclosures (continued)

1.6 Derivative instruments (continued)

	Company							
	Maturity analysis of net fair value							
	Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets[1] Rm	Fair value of liabilities[1] Rm	Notional amount[2] Buy Rm	Notional amount[2] Sell Rm
2014								
Derivatives held for trading	**(7)**	**1 294**	**(20)**	**1 267**	**4 890**	**(3 623)**		
Foreign exchange derivatives			**(65)**			**(65)**		
Futures							**18**	**(759)**
Options							**2**	**(2)**
Swaps			**(65)**	**(65)**		**(65)**	**80**	**(80)**
Interest rate derivatives	**(1)**	**61**	**45**	**105**	**3 638**	**(3 533)**		
Futures							**1 884**	**(45)**
Forwards	**34**	**8**		**42**	**78**	**(36)**	**19 238**	**(18 365)**
Swaps	**(35)**	**(1)**	**(184)**	**(220)**	**3 277**	**(3 497)**	**182 642**	**(182 642)**
Swaptions		**54**	**229**	**283**	**283**		**11 020**	
Equity derivatives	**(6)**	**1 233**		**1 227**	**1 252**	**(25)**		
Futures							**8 445**	**(9 976)**
Forwards							**33**	
Options	**19**			**19**	**19**		**762**	**(500)**
Other	**(25)**	**1 233**		**1 208**	**1 233**	**(25)**	**1 188**	
Derivatives held for hedging	**6**	**(681)**	**(805)**	**(1 480)**	**6**	**(1 486)**		
Foreign exchange derivatives								
Swaps	**6**	**(681)**	**(805)**	**(1 480)**	**6**	**(1 486)**	**4 537**	**(4 537)**
Total derivative assets/ (liabilities)	**(1)**	**613**	**(825)**	**(213)**	**4 896**	**(5 109)**		
2013								
Derivatives held for trading	(17)	1 280	(377)	886	4 893	(4 007)		
Foreign exchange derivatives		(2)	(13)	(15)		(15)		
Options							219	(25)
Swaps		(2)	(13)	(15)		(15)	146	(146)
Interest rate derivatives	(61)	177	(364)	(248)	3 712	(3 960)		
Forwards	18	(16)		2	84	(82)	29 513	(11 721)
Swaps	(79)	139	(401)	(341)	3 537	(3 878)	144 091	(144 091)
Swaptions		54	37	91	91		8 280	
Equity derivatives	44	1 105		1 149	1 181	(32)		
Futures	26			26	26		7 560	
Forwards	18			18	26	(8)	680	
Options							1 032	
Other		1 105		1 105	1 129	(24)		
Derivatives held for hedging	(41)	(391)	(405)	(837)		(837)		
Foreign exchange derivatives								
Swaps	(41)	(391)	(405)	(837)		(837)	3 762	(3 762)
Total derivative assets/ (liabilities)	(58)	889	(782)	49	4 893	(4 844)		

[1] *Collateral and margin accounts deposited by Liberty or received from counterparties as security for traded derivatives are R2 799 million assets in respect of liabilities. Rnil million liabilities in respect of assets.*

[2] *The notional or underlying principal amount reflects the volume of the group's exposure in derivative financial instruments. It represents the amount to which a rate or price is applied to calculate the exchange of cash flows. The amount at risk inherent in these contracts is significantly less than the notional amount.*

1. Risk disclosures (continued)

1.6 Derivative instruments (continued)

Cross currency swaps

The group and company uses currency swaps to mitigate the risk of certain changes in cash flows arising from changes in foreign currency rates and uses hedge accounting for these transactions.

The forecasted timing of the release of net cash flows from the cash flow hedging reserve into profit or loss at 31 December is as follows:

	Group and Company		
Rm	**Total reserve**	**More than 1 year but less than 5 years**	**More than 5 years**
2014			
Release timing	**(234)**	**(58)**	**(176)**
2013			
Release timing	(141)	(38)	(103)

Ineffectiveness that arises from cash flow hedges is recognised immediately in profit or loss.

There were no transactions for which cash flow hedge accounting had to be discontinued in 2014 as a result of highly probable cash flows no longer being expected to occur.

1.7 Liquidity risk

1.7.1 Maturity profiles of the company's financial instrument liabilities

The tables below summarises the maturity profile of the financial liabilities of the group and company based on the remaining undiscounted contractual obligations. Policyholder liabilities under investment contracts and investment contracts with DPF and insurance contracts are shown in a separate table in 1.7.2, as these are managed according to expected and not contractual cash flows. Derivative financial instruments are shown in a separate table in 1.6.

	Group						
Contractual cash flows (Rm)	**0 – 3 months[1]**	**3 – 12 months**	**1 – 5 years**	**6 – 10 years**	**Variable**	**Total**	**Total carrying value**
2014							
Subordinated notes[2]	**95**	**154**	**2 884**	**1 678**		**4 811**	**3 570**
Redeemable preference shares[2] [3]					**5**	**5**	**5**
Third party financial liabilities arising on consolidation of mutual funds	**3 070**					**3 070**	**3 070**
Insurance and other payables	**12 494**	**141**	**599**			**13 234**	**13 234**
Total	**15 659**	**295**	**3 483**	**1 678**	**5**	**21 120**	**19 879**
Percentage proportion (%)	**74**	**1**	**17**	**8**		**100**	
2013							
Subordinated notes[2]	85	160	2 865	1 183		4 293	3 069
Redeemable preference shares[2] [3]					5	5	5
Third party financial liabilities arising on consolidation of mutual funds	461					461	461
Insurance and other payables	8 375	60	49	1		8 485	8 485
Total	8 921	220	2 914	1 184	5	13 244	12 020
Percentage proportion (%)	67	2	22	9		100	

[1] *0 – 3 months are either due within the timeframe or payable on demand.*

[2] *Contractual cash flows are at amortised cost.*

[3] *No fixed maturity date, however, redeemable with a two year notice period at the instance of the company or the holder.*

1. Risk disclosures (continued)

1.7 Liquidity risk (continued)

1.7.1 Maturity profiles of the company's financial instrument liabilities (continued)

	Company						
Contractual cash flows (Rm)	**0 – 3 months[1]**	**4 – 12 months**	**2 – 5 years**	**6 – 10 years**	**Variable**	**Total**	**Total carrying value**
2014							
Subordinated notes[2]	**96**	**154**	**2 884**	**1 678**		**4 812**	**3 570**
Redeemable preference shares[2] [3]					**5**	**5**	**5**
Insurance and other payables	**11 975**	**140**	**599**			**12 714**	**12 714**
Total	**12 071**	**294**	**3 483**	**1 678**	**5**	**17 531**	**16 289**
Percentage proportion (%)	**69**	**1**	**20**	**10**		**100**	
2013							
Subordinated notes[2]	85	160	2 865	1 183		4 293	3 069
Redeemable preference shares[2] [3]					5	5	5
Insurance and other payables	8 074	53	46	1		8 174	8 174
Total	8 159	213	2 911	1 184	5	12 472	11 248
Percentage proportion (%)	47	1	17	7		71	

[1] *0 – 3 months are either due within the timeframe or payable on demand.*

[2] *Contractual cash flows are at amortised cost.*

[3] *No fixed maturity date, however, redeemable with a two year notice period at the instance of the company or the holder.*

1. Risk disclosures (continued)

1.7 Liquidity risk (continued)

1.7.2 Liquidity risks arising out of obligations to policyholders

The following tables give an indication of liquidity needs in respect of cashflows required to meet obligations arising under insurance contracts, investment contracts with DPF (as defined in IFRS 4) and investment contracts.

	Group					
Expected cash flows	**Investment contracts**		**Investment with DPF**		**Insurance contracts**	
	2014	2013	**2014**	2013	**2014**	2013
Unit liabilities	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
Within 1 year	**4 316**	4 236	**386**	389	**15 673**	13 461
2 – 5 years	**10 291**	9 604	**141**	183	**58 436**	51 305
6 – 10 years	**9 927**	9 000	**776**	690	**12 883**	9 879
11 – 20 years	**18 725**	16 901	**2 055**	1 739	**37 435**	36 127
Over 20 years	**35 106**	31 726	**5 274**	4 729	**35 806**	39 799
Total unit liabilities	**78 365**	71 467	**8 632**	7 730	**160 233**	150 571
Non-unit liabilities						
Within 1 year	**580**	556			**121**	1 763
2 – 5 years	**1 253**	1 301			**14 104**	12 915
6 – 10 years	**137**	190			**8 844**	7 249
11 – 20 years	**2 023**	27			**25 535**	18 478
Over 20 years	**17**	13			**62 264**	47 117
Effect of discounting cash flows	**(1 542)**	(380)			**(76 824)**	(58 209)
Total non-unit liabilities	**2 468**	1 707			**34 044**	29 313
Total policyholders liabilities	**80 833**	73 174	**8 632**	7 730	**194 277**	179 884

	Company					
Expected cash flows	**Investment contracts**		**Investment with DPF**		**Insurance contracts**	
	2014	2013	**2014**	2013	**2014**	2013
Unit liabilities	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
Within 1 year	**4 316**	4 236	**386**	389	**15 673**	13 461
2 – 5 years	**10 291**	9 604	**141**	183	**58 436**	51 305
6 – 10 years	**9 927**	9 000	**776**	690	**12 883**	9 879
11 – 20 years	**18 725**	16 901	**2 055**	1 739	**37 435**	36 127
Over 20 years	**35 106**	31 726	**5 274**	4 729	**35 806**	39 799
Total unit liabilities	**78 365**	71 467	**8 632**	7 730	**160 233**	150 571
Non-unit liabilities						
Within 1 year	**580**	556			**139**	1 770
2 – 5 years	**1 253**	1 301			**14 164**	12 961
6 – 10 years	**137**	190			**8 883**	7 279
11 – 20 years	**2 023**	27			**25 566**	18 503
Over 20 years	**17**	13			**62 274**	47 125
Effect of discounting cash flows	**(1 542)**	(380)			**(76 882)**	(58 254)
Total non-unit liabilities	**2 468**	1 707			**34 144**	29 384
Total policyholders liabilities	**80 833**	73 174	**8 632**	7 730	**194 377**	179 955

1. Risk disclosures (continued)

1.7 Liquidity risk (continued)

1.7.3 Cash surrender values

The following table shows the cash surrender value for policyholders' liabilities:.

	Group			
	Carrying value 2014 Rm	**Surrender value 2014 Rm**	Carrying value 2013 Rm	Surrender value 2013 Rm
Insurance contracts	**194 277**	**164 308**	179 884	153 784
Investment contracts with DPF	**8 632**	**8 357**	7 730	7 078
Investment contracts	**80 833**	**80 005**	73 174	72 323
Total policyholder liabilities	**283 742**	**252 670**	260 788	233 185

	Company			
	Carrying value 2014 Rm	**Surrender value 2014 Rm**	Carrying value 2013 Rm	Surrender value 2013 Rm
Insurance contracts	**194 377**	**164 308**	179 955	153 784
Investment contracts with DPF	**8 632**	**8 357**	7 730	7 078
Investment contracts	**80 833**	**80 005**	73 174	72 323
Total policyholder liabilities	**283 842**	**252 670**	260 859	233 185

The rand amount payable on surrender, on contracts which provide a surrender value, is closely related to the carrying value. For the majority of unit linked contracts the surrender value adjusts to the respective values as surrender instructions are executed. Therefore the impact of market risk adjustments on surrender lies largely with the policyholder.

1. Risk disclosures (continued)

1.8 Credit risk

1.8.1 Rating methodology

For the purposes of this report, the following approach was adopted for the rating classification of credit assets:

Rating scale

The rating scale applied is based on internal definitions, influenced by published external rating agencies including Fitch, Moody's and S&P as described below and reflects long-term local currency ratings referencing international probabilities of default rating scales.

Investment grade

A- and above	Strong to extremely strong capacity to meet financial commitments.
BBB	Adequate capacity to meet financial commitments, but vulnerable to severe adverse economic conditions.

Non-investment grade

BB	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.
Below BB	Vulnerable to adverse business, financial and economic conditions.

The above ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Not rated

The group and company are not restricted to investing purely in rated instruments or where counterparties are rated and accordingly invests in assets that offer appropriate returns after an internal assessment of credit risk. For most material investments in unrated instruments/ counterparties, internal ratings were undertaken. However at any one time there will always be some unrated exposures, generally entered into through asset managers, where the internal ratings methodology has not been applied. This does not imply that the potential default risk is higher or lower than for rated assets.

Due to the extent of work required to obtain or prepare a credit classification, certain smaller asset holdings maybe classified as "not rated" for practical reasons.

The loans reflected as "not rated" relate to loans granted by Liberty to policyholders, which are secured by their policies.

Pooled funds

The group and company invests in mutual funds through which it is also exposed to credit risk of the underlying assets in which the mutual funds are invested. The group and company's exposure to mutual funds are classified at fund level and not at the underlying asset level and, although mutual funds are not rated, fund managers are required to invest in credit assets within the defined parameters stipulated in the fund's mandate. These rules limit the extent to which fund managers can invest in unlisted and/or unrated credit assets and generally restrict funds to the acquisition of investment grade assets.

The group and company is exposed to counterparty credit risk in respect of investment reinsurance policies as well as the underlying debt instruments supporting the valuation of the policy.

1. Risk disclosures (continued)

1.8 Credit risk (continued)

1.8.2 Credit exposure

The following tables provides information regarding the aggregated credit risk exposure for the group for debt instruments categorised by credit ratings (if available) at 31 December.

Group

Rm	Above A-	BBB+	BBB	BBB-	BB+	BB	BB- and below	Not rated	Pooled funds	Total carrying value
2014										
Debt instruments	**1 924**	**32 112**	**20 271**	**10 557**	**1 472**	**5 275**	**1 981**	**2 247**	**30 563**	**106 402**
– Listed preference shares	**88**	**134**	**406**	**190**	**89**	**2**	**6**	**86**		**1 001**
Local		**134**	**406**	**190**	**89**	**2**	**6**	**86**		**913**
Foreign	**88**									**88**
– Unlisted preference shares				**396**		**84**		**211**		**691**
– Listed term deposits	**1 518**	**28 902**	**9 977**	**5 736**	**473**	**4 538**	**1 298**	**362**		**52 804**
Local	**331**	**25 824**	**8 767**	**4 821**	**473**	**4 538**	**1 069**	**362**		**46 185**
Foreign	**1 187**	**3 078**	**1 210**	**915**			**229**			**6 619**
– Unlisted term deposits	**318**	**3 076**	**9 888**	**4 235**	**910**	**651**	**677**			**19 755**
Local	**198**	**3 076**	**9 888**	**4 235**	**910**	**651**	**619**			**19 577**
Foreign	**120**						**58**			**178**
– Loans								**1 044**		**1 044**
– Loan in associate – fair value								**544**		**544**
– Mutual funds – debt instruments									**30 563**	**30 563**
Local									**23 458**	**23 458**
Foreign									**7 105**	**7 105**
Investment policies				**5 642**				**1 144**		**6 786**
Prepayments, insurance and other receivables – Local	**52**	**9**	**8**	**3**	**87**	**69**	**82**	**2 094**		**2 404**
– Accrued income		**9**	**8**	**3**				**28**		**48**
– Reinsurance recoveries	**52**				**87**	**69**	**82**	**128**		**418**
– Other								**1 938**		**1 938**
Prepayments, insurance and other receivables – Foreign								**36**		**36**
Reinsurance assets	**61**				**998**	**142**	**3**	**47**		**1 251**
Derivatives and collateral deposits	**1 259**	**1 641**	**4 717**	**102**				**29**		**7 748**
Loan receivables from joint ventures										
Cash and cash equivalents	**876**	**1 137**	**3 383**	**589**			**11**	**364**		**6 360**
Local	**626**	**1 137**	**3 382**	**589**			**11**	**160**		**5 905**
Foreign	**250**		**1**					**204**		**455**
Total assets bearing credit risk	**4 172**	**34 899**	**28 379**	**16 893**	**2 557**	**5 486**	**2 077**	**5 961**	**30 563**	**130 987**

1. Risk disclosures (continued)

1.8 Credit risk (continued)

1.8.2 Credit exposure (continued)

	Group									
Rm	Above A-	BBB+	BBB	BBB-	BB+	BB	BB- and below	Not rated	Pooled funds	Total carrying value
2013										
Debt instruments	608	35 982	6 160	11 998	1 810	2 996	598	1 164	22 888	84 204
– Listed preference shares	5	443	154	255	54	572	6			1 489
Local		443	154	255	54	572	6			1 484
Foreign	5									5
– Unlisted preference shares		532		403		77		128		1 140
– Listed term deposits	270	28 660	3 700	8 081	249	967	210	59		42 196
Local	270	26 645	3 035	6 345	249	967	210	59		37 780
Foreign		2 015	665	1 736						4 416
– Unlisted term deposits	333	6 347	2 306	3 259	1 507	1 380	382			15 514
Local	333	6 347	2 306	3 021	1 507	1 327	382			15 223
Foreign				238		53				291
– Loans								977		977
– Mutual funds – debt instruments									22 888	22 888
Local									18 361	18 361
Foreign									4 527	4 527
Investment policies			1 994					23 651		25 645
Prepayments, insurance and other receivables – Local		11	24	130		51	8	2 283		2 507
– Accrued income		11	5					43		59
– Reinsurance recoveries			19	130		51	8	95		303
– Other								2 145		2 145
Prepayments, insurance and other receivables – Foreign								16		16
Reinsurance assets			35	1 026		3	29	33		1 126
Derivatives and collateral deposits	1 004	3 755	1 450	128				32		6 369
Loan receivables from joint ventures								4		4
Cash and cash equivalents	175	3 588	1 132	5		57		116		5 073
Local	126	3 524	1 132	5		57		74		4 918
Foreign	49	64						42		155
Total assets bearing credit risk	1 787	43 336	10 795	13 287	1 810	3 107	635	27 299	22 888	124 944

1. Risk disclosures (continued)

1.8 Credit risk (continued)

1.8.2 Credit exposure (continued)

	Company									
Rm	Above A-	BBB+	BBB	BBB-	BB+	BB	BB- and below	Not rated	Pooled funds	Total carrying value
2014										
Debt instruments	**1 921**	**18 866**	**14 779**	**9 942**	**1 456**	**2 588**	**1 380**	**1 997**	**51 135**	**104 064**
– Listed preference shares	**88**	**128**	**402**	**187**	**87**		**6**	**84**		**982**
Local		**128**	**402**	**187**	**87**		**6**	**84**		**894**
Foreign	**88**									**88**
– Unlisted preference shares				**396**		**84**		**211**		**691**
– Listed term deposits	**1 515**	**15 672**	**4 545**	**5 124**	**459**	**1 853**	**696**	**114**		**29 978**
Local	**328**	**12 594**	**3 335**	**4 209**	**459**	**1 853**	**467**	**114**		**23 359**
Foreign	**1 187**	**3 078**	**1 210**	**915**			**229**			**6 619**
– Unlisted term deposits	**318**	**3 066**	**9 832**	**4 235**	**910**	**651**	**678**			**19 690**
Local	**198**	**3 066**	**9 832**	**4 235**	**910**	**651**	**620**			**19 512**
Foreign	**120**						**58**			**178**
– Loans								**1 044**		**1 044**
– Loan in associate – fair value								**544**		**544**
– Mutual funds – debt instruments									**51 135**	**51 135**
Local									**44 932**	**44 932**
Foreign									**6 203**	**6 203**
Investment policies				**5 642**				**36**		**5 678**
Prepayments, insurance and other receivables – Local	**52**	**9**	**8**	**3**	**87**	**69**	**82**	**1 576**		**1 886**
– Accrued income		**9**	**8**	**3**				**28**		**48**
– Reinsurance recoveries	**52**				**87**	**69**	**82**	**118**		**408**
– Other								**1 430**		**1 430**
Reinsurance assets	**61**				**998**	**142**	**3**	**41**		**1 245**
Derivatives and collateral deposits	**1 259**	**1 589**	**4 717**	**102**				**28**		**7 695**
Loan receivable from subsidiary								**184**		**184**
Cash and cash equivalents	**229**	**1 077**	**3 172**	**589**			**5**	**163**		**5 235**
Local	**21**	**1 077**	**3 171**	**589**			**5**	**13**		**4 876**
Foreign	**208**		**1**					**150**		**359**
Total assets bearing credit risk	**3 522**	**21 541**	**22 676**	**16 278**	**2 541**	**2 799**	**1 470**	**4 025**	**51 135**	**125 987**

1. Risk disclosures (continued)

1.8 Credit risk (continued)

1.8.2 Credit exposure (continued)

Company

Rm	Above A-	BBB+	BBB	BBB-	BB+	BB	BB- and below	Not rated	Pooled funds	Total carrying value
2013										
Debt instruments	608	22 631	4 938	8 607	1 810	2 791	598	1 139	40 898	84 020
– Listed preference shares	5	443	154	255	54	572	6			1 489
Local		443	154	255	54	572	6			1 484
Foreign	5									5
– Unlisted preference shares		532		403		77		128		1 140
– Listed term deposits	270	15 309	2 478	4 690	249	762	210	34		24 002
Local	270	13 294	1 813	2 954	249	762	210	34		19 586
Foreign		2 015	665	1 736						4 416
– Unlisted term deposits	333	6 347	2 306	3 259	1 507	1 380	382			15 514
Local	333	6 347	2 306	3 021	1 507	1 327	382			15 223
Foreign				238		53				291
– Loans								977		977
– Mutual funds – debt instruments									40 898	40 898
Local									36 371	36 371
Foreign									4 527	4 527
Investment policies			1 994					22 584		24 578
Prepayments, insurance and other receivables – Local		11	24	130		51	8	1 846		2 070
– Accrued income		11	5					43		59
– Reinsurance recoveries			19	130		51	8	91		299
– Other								1 712		1 712
Reinsurance assets			35	1 026		3	29	27		1 120
Derivatives and collateral deposits	1 004	3 710	1 450	128				32		6 324
Loan receivables from joint ventures								4		4
Loan receivable from subsidiary								113		113
Cash and cash equivalents	77	3 588	1 099			37		42		4 843
Local	28	3 524	1 099			37		38		4 726
Foreign	49	64						4		117
Total assets bearing credit risk	1 689	29 940	9 540	9 891	1 810	2 882	635	25 787	40 898	123 072

1. Risk disclosures (continued)

1.8 Credit risk (continued)

1.8.3 Credit assessment changes recognised in profit or loss

Fair value instruments
The group and company invests in both listed and unlisted debt instruments. For illiquid listed instruments and unlisted instruments fair value is arrived at through a mark to model process.

Where different asset managers have acquired the same illiquid listed or unlisted debt instrument, these instruments will be valued by the asset manager but evaluated for consistency by the group and the company.

For 2014, the change in the fair value movement recognised in profit or loss, with respect to illiquid listed and unlisted debt instruments in a non-active market is R260 million negative (2013: positive R30 million) for the group and R241 million negative (2013: positive R30 million) for the company

1.8.4 Impairments

The table below indicates the impairments raised against financial assets.

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Loans				
Gross carrying value	**1 077**	1 016	**1 077**	1 016
Less: Accumulated impairment	**(33)**	(39)	**(33)**	(39)
Net carrying value	**1 044**	977	**1 044**	977

1. Risk disclosures (continued)

1.8 Credit risk (continued)

1.8.5 Standard Bank Group Limited (Standard Bank) credit risk concentration

Standard Bank is Liberty Holdings Limited's holding company. Normal credit processes are followed before any asset exposure is entered into with Standard Bank. Assets within the life licence entities are governed by total exposure limits to any one institution, set by the FSB.

	Group					
	Overall group investment Rm	**Exposure to Standard Bank 2014 Rm**	**%**	Overall group investment Rm	Exposure to Standard Bank 2013 Rm	%
Equity instruments	**82 248**	**1 757**	**2,1**	68 641	914	1,3
Preference shares	**1 692**	**169**	**10,0**	2 629	202	7,7
Term deposits and loans	**74 147**	**11 571**	**15,6**	58 687	9 949	17,0
Cash and cash equivalents	**6 360**	**5 915**	**93,0**	5 073	3 382	66,7
Derivative assets	**4 949**	**785**	**15,9**	4 938	868	17,6
Derivative collateral deposits	**2 799**	**1 582**	**56,5**	1 431	826	57,7
Total asset exposure to Standard Bank	**172 195**	**21 779**	**12,6**	141 399	16 141	11,4
Derivative liabilities	**(5 109)**	**(1 058)**	**20,7**	(4 844)	(1 271)	26,2
Total exposure to Standard Bank	**167 086**	**20 721**	**12,4**	136 555	14 870	10,9

	Company					
	Overall company investment Rm	**Exposure to Standard Bank 2014 Rm**	**%**	Overall company investment Rm	Exposure to Standard Bank 2013 Rm	%
Equity instruments	**68 227**	**1 022**	**1,5**	65 338	693	1,1
Preference shares	**1 673**	**164**	**9,8**	2 629	188	7,2
Term deposits and loans	**50 712**	**7 392**	**14,6**	40 493	6 169	15,2
Cash and cash equivalents	**5 235**	**2 196**	**41,9**	4 843	2 196	45,3
Derivative assets	**4 896**	**785**	**16,0**	4 893	868	17,7
Derivative collateral deposits	**2 799**	**826**	**29,5**	1 431	826	57,7
Total asset exposure to Standard Bank	**133 542**	**12 385**	**9,3**	119 627	10 940	9,1
Derivative liabilities	**(5 109)**	**(1 058)**	**20,7**	(4 844)	(1 271)	26,2
Total exposure to Standard Bank	**128 433**	**11 327**	**8,8**	114 783	9 669	8,4

The group and the company invests in various structured entities that are credit enhanced by Standard Bank. Total value of these investments is R970 million (2013: R1 224 million) for both the group and company.

In the ordinary course of business the group and the company invests in various mutual funds which in turn may have some exposure to Standard Bank. The group does not control these mutual funds. Consequently, it has not been deemed necessary to quantify the aggregate Standard Bank exposure in each mutual fund, which in any event would not be material in the case of the company.

1. Risk disclosures (continued)

1.8 Credit risk (continued)

1.8.6 Collateral

The tables below disclose the financial effect that collateral has on the group's maximum exposure to credit risk in relation to its financial assets.

	Group					
Rm	Unsecured	Secured	Total exposure	Netting agreements	Exposure after netting	Collateral coverage relative to secured exposure Greater than 100%
2014						
Debt instruments	**105 358**	**1 044**	**106 402**		**106 402**	**1 044**
Listed preference shares on the JSE or foreign exchanges	**1 001**		**1 001**		**1 001**	
Unlisted preference shares	**691**		**691**		**691**	
Listed term deposits on BESA, JSE or foreign exchanges	**52 804**		**52 804**		**52 804**	
Loans		**1 044**	**1 044**		**1 044**	**1 044**
Unlisted term deposits	**19 755**		**19 755**		**19 755**	
Interest in associates – measured at fair value	**544**		**544**		**544**	
Mutual funds – debt instruments	**30 563**		**30 563**		**30 563**	
Investment policies	**6 786**		**6 786**		**6 786**	
Derivatives	**4 949**		**4 949**	**(4 949)**		
Derivative collateral deposits	**2 799**		**2 799**		**2 799**	
Reinsurance assets	**1 251**		**1 251**		**1 251**	
Prepayments, insurance and other receivables	**2 352**	**88**	**2 440**		**2 440**	**88**
Cash and cash equivalents	**6 360**		**6 360**		**6 360**	
Total	**129 855**	**1 132**	**130 987**	**(4 949)**	**126 038**	**1 132**
2013						
Debt instruments	83 227	977	84 204		84 204	977
Listed preference shares on the JSE or foreign exchanges	1 489		1 489		1 489	
Unlisted preference shares	1 140		1 140		1 140	
Listed term deposits on BESA, JSE or foreign exchanges	42 196		42 196		42 196	
Loans		977	977		977	977
Unlisted term deposits	15 514		15 514		15 514	
Mutual funds – debt instruments	22 888		22 888		22 888	
Investment policies	25 645		25 645		25 645	
Derivatives	4 938		4 938	(4 671)	267	
Derivative collateral deposits	1 431		1 431		1 431	
Reinsurance assets	1 126		1 126		1 126	
Loan receivable from joint ventures	4		4		4	
Prepayments, insurance and other receivables	2 464	59	2 523		2 523	59
Cash and cash equivalents	5 073		5 073		5 073	
Total	123 908	1 036	124 944	(4 671)	120 273	1 036

1. Risk disclosures (continued)

1.8 Credit risk (continued)

1.8.6 Collateral (continued)

Company

Rm	Unsecured	Secured	Total exposure	Netting agreements	Exposure after netting	Collateral coverage relative to secured exposure Greater than 100%
2014						
Debt instruments	**103 020**	**1 044**	**104 064**		**104 064**	**1 044**
Listed preference shares on the JSE or foreign exchanges	**982**		**982**		**982**	
Unlisted preference shares	**691**		**691**		**691**	
Listed term deposits on BESA, JSE or foreign exchanges	**29 978**		**29 978**		**29 978**	
Loans		**1 044**	**1 044**		**1 044**	**1 044**
Unlisted term deposits	**19 690**		**19 690**		**19 690**	
Interest in associates – measured at fair value	**544**		**544**		**544**	
Mutual funds – debt instruments	**51 135**		**51 135**		**51 135**	
Investment policies	**5 678**		**5 678**		**5 678**	
Derivatives	**4 896**		**4 896**	**(4 896)**		
Derivative collateral deposits	**2 799**		**2 799**		**2 799**	
Reinsurance assets	**1 245**		**1 245**		**1 245**	
Loan receivable from subsidiary	**184**		**184**		**184**	
Prepayments, insurance and other receivables	**1 798**	**88**	**1 886**		**1 886**	**88**
Cash and cash equivalents	**5 235**		**5 235**		**5 235**	
Total	**124 855**	**1 132**	**125 987**	**(4 896)**	**121 091**	**1 132**
2013						
Debt instruments	83 043	977	84 020		84 020	977
Listed preference shares on the JSE or foreign exchanges	1 489		1 489		1 489	
Unlisted preference shares	1 140		1 140		1 140	
Listed term deposits on BESA, JSE or foreign exchanges	24 002		24 002		24 002	
Loans		977	977		977	977
Unlisted term deposits	15 514		15 514		15 514	
Mutual funds – debt instruments	40 898		40 898		40 898	
Investment policies	24 578		24 578		24 578	
Derivatives	4 893		4 893	(4 671)	222	
Derivative collateral deposits	1 431		1 431		1 431	
Reinsurance assets	1 120		1 120		1 120	
Loan receivable from joint venture	4		4		4	
Loan receivable from subsidiary	113		113		113	
Prepayments, insurance and other receivables	2 011	59	2 070		2 070	59
Cash and cash equivalents	4 843		4 843		4 843	
Total	122 036	1 036	123 072	(4 671)	118 401	1 036

1. Risk disclosures (continued)

1.8 Credit risk (continued)

1.8.7 Offsetting

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

Group

However of the total assets held for trading and hedging recognised of R7 748 million (2013: R6 369 million) and total derivative liabilities of R5 109 million (2013: R4 844 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).

Company

However of the total assets held for trading and hedging recognised of R7 695 million (2013: R6 324 million) and total derivative liabilities of R5 109 million (2013: R4 844 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).

1.9 Sensitivity analysis

The company's earnings and available capital are exposed to insurance and market risks amongst others through its insurance and asset management operations. Assumptions are made in respect of the market and insurance risks in the measurement of policyholder liabilities. This section provides sensitivity analyses to changes in some of these variables.

The sensitivities provided cannot simply be extrapolated to determine prospective earnings forecasts and caution is advised to any user doing this. They do, however, provide insight into the impact that changes in these risks can have on policyholder liabilities and attributable profit after taxation.

The upper and lower sensitivities chosen reflect management's best judgement of a reasonably possible change in the respective variable (i.e. management's view is that the actual experience has a 50/50 chance of falling in/out of the range) within a twelve month period from the financial position date. Each range used is broadly based on applying 25% and 75% confidence levels to the relevant historical experience. These ranges are adjusted accordingly for management's views. The sensitivity analysis does not cover extreme or irregular events that may occur, but extreme sensitivities are considered by the Group Risk Committee and are used in the calculation of economic capital requirements.

The table below provides a description of the sensitivities that are provided on insurance risk assumptions.

Insurance risk variables	Description of sensitivity
Assurance mortality	A level percentage change in the expected future mortality rates on assurance contracts
Annuitant longevity	A level percentage change in the expected future mortality rates on annuity contracts
Morbidity	A level percentage change in the expected future morbidity rates
Withdrawal	A level percentage change in the policyholder withdrawal rates prior to maturity
Expense per policy	A level percentage change in the expected maintenance expenses

Sensitivities on expected taxation have not been provided.

1. Risk disclosures (continued)

1.9 Sensitivity analysis (continued)

Insurance risk sensitivities are applied as a proportional percentage change to the assumptions made in the measurement of policyholder liabilities.

The table below provides a description of the sensitivities provided on market risk assumptions.

Market risk variables	Description of sensitivity
Interest rate yield curve	A parallel shift in the interest rate yield curve
Implied option volatilities	A change in the implied short-term equity, property and interest rate option volatility assumptions
Equity price	A change in the local and foreign equity prices
Rand currency	A change in the ZAR exchange rate to all applicable currencies

Sensitivities on long-term expense inflation assumptions have not been provided.

The equity price and rand currency sensitivities are applied as an instantaneous event at the financial position date with no change to long-term market assumptions used in the measurement of policyholder liabilities. In other words, the assets are instantaneously impacted by the sensitivity on the financial position date. The new asset levels are applied to the measurement of policyholder liabilities, where applicable, but no changes are made to the assumptions used in the measurement of policyholder liabilities. The interest rate yield curve and implied option volatilities sensitivities are applied similarly but the assumptions used in the measurement of policyholder liabilities that are dependent on interest rates yield curves and implied option volatilities are updated.

Over a reporting period, assets are expected to earn a return consistent with the long-term assumptions used in the measurement of policyholder liabilities. The instantaneous sensitivities applied at the financial position date show the impacts of deviations from these long-term assumptions (e.g. the increase in the equity price sensitivity shows the impact of assets earning the sensitivity amount in excess of the long-term equity return assumption).

The market sensitivities are applied to all assets held by the group and company (and not just assets backing the policyholder liabilities).

Each sensitivity is applied in isolation with all other assumptions left unchanged.

The tables below summarises the impact of the change in the above risk variables on policyholder liabilities and on ordinary shareholders equity and attributable profit after taxation. The market risk sensitivities are net of risk mitigation activities. Consequently the comparability to the previous year is impacted by the level of risk mitigation at the respective financial position dates.

Positive numbers represent an increase to policyholders' liabilities and profit after taxation and correspondingly negative numbers indicate a decrease to policyholders' liabilities and profit after taxation.

1. Risk disclosures (continued)

1.9 Sensitivity analysis (continued)

	Group		
Assumption description	**Change in variable %**	**Impact on policyholders liabilities Rm**	**Impact on ordinary shareholders' equity and attributable profit after taxation Rm**
2014			
Insurance assumptions			
Mortality			
Assured lives	**+2**	**262**	**(189)**
	-2	**(263)**	**189**
Annuitant longevity[1]	**+4[2]**	**349**	**(252)**
	-4[3]	**(334)**	**241**
Morbidity	**+5**	**426**	**(306)**
	-5	**(425)**	**306**
Withdrawals	**+8**	**509**	**(366)**
	-8	**(565)**	**407**
Expense per policy	**+5**	**264**	**(190)**
	-5	**(264)**	**190**
Market assumptions			
Interest rate yield curve	**+12**	**(3 623)**	**(279)**
	-12	**4 268**	**216**
Option price volatilities[4]	**+20**	**34**	**(22)**
	-20	**(2)**	**(2)**
Equity prices	**+15**	**18 886**	**1 222**
	-15	**(19 085)**	**(1 198)**
Rand exchange rates	**+12[5]**	**(4 373)**	**(540)**
	-12[6]	**4 462**	**537**
2013			
Insurance assumptions			
Mortality			
Assured lives	+2	227	(163)
	-2	(228)	164
Annuitant longevity	+4[2]	226	(162)
	-4[3]	(217)	156
Morbidity	+5	361	(260)
	-5	(360)	259
Withdrawals[7]	+8	473	(341)
	-8	(536)	386
Expense per policy	+5	254	(183)
	-5	(254)	183
Market assumptions			
Interest rate yield curve	+12	(3 007)	(220)
	-12	3 541	143
Option price volatilities	+20	106	(55)
	-20	(74)	33
Equity prices	+15	18 454	1 185
	-15	(18 444)	(1 183)
Rand exchange rates	+12[5]	(3 862)	(536)
	-12[6]	3 873	533

(1) *The significant increase in sensitivity impact is as a consequence of large annuity new business written during 2014.*
(2) *Annuitant life expectancy increases i.e. annuitant mortality reduces.*
(3) *Annuitant life expectancy reduces i.e. annuitant mortality increases.*
(4) *Currently option price volatilities are not hedged and consequently the analysis is performed on market data at 31 December 2014. The sensitivities are non-linear and will be significantly impacted by the mix of future new business.*
(5) *Strengthening of the rand.*
(6) *Weakening of the rand.*
(7) *The impact from a major class of business, where withdrawals would reduce the overall impact of the stress, has been removed in line with management action being taken for that class.*

1. Risk disclosures (continued)

1.9 Sensitivity analysis (continued)

Assumption description	Change in variable %	Company Impact on policyholders liabilities Rm	Impact on ordinary shareholders' equity and attributable profit after taxation Rm
2014			
Insurance assumptions			
Mortality			
Assured lives	**+2**	**261**	**(188)**
	-2	**(262)**	**189**
Annuitant longevity[1]	**+4[2]**	**349**	**(252)**
	-4[3]	**(334)**	**241**
Morbidity	**+5**	**425**	**(306)**
	-5	**(425)**	**306**
Withdrawals	**+8**	**498**	**(359)**
	-8	**(554)**	**399**
Expense per policy	**+5**	**262**	**(189)**
	-5	**(262)**	**189**
Market assumptions			
Interest rate yield curve	**+12**	**(3 627)**	**(275)**
	-12	**4 273**	**212**
Option price volatilities[4]	**+20**	**34**	**(22)**
	-20	**(2)**	**(2)**
Equity prices	**+15**	**18 886**	**1 222**
	-15	**(19 085)**	**(1 198)**
Rand exchange rates	**+12[5]**	**(4 373)**	**(540)**
	-12[6]	**4 462**	**537**
2013			
Insurance assumptions			
Mortality			
Assured lives	+2	226	(163)
	-2	(227)	163
Annuitant longevity	+4[2]	226	(162)
	-4[3]	(217)	156
Morbidity	+5	360	(259)
	-5	(359)	259
Withdrawals[7]	+8	465	(335)
	-8	(526)	379
Expense per policy	+5	253	(182)
	-5	(253)	182
Market assumptions			
Interest rate yield curve	+12	(3 010)	(217)
	-12	3 544	141
Option price volatilities	+20	106	(55)
	-20	(74)	33
Equity prices	+15	18 454	1 185
	-15	(18 444)	(1 183)
Rand exchange rates	+12[5]	(3 862)	(536)
	-12[6]	3 873	533

(1) *The significant increase in sensitivity impact is as a consequence of large annuity new business written during 2014.*
(2) *Annuitant life expectancy increases i.e. annuitant mortality reduces.*
(3) *Annuitant life expectancy reduces i.e. annuitant mortality increases.*
(4) *Currently option price volatilities are not hedged and consequently the analysis is performed on market data at 31 December 2014. The sensitivities are non-linear and will be significantly impacted by the mix of future new business.*
(5) *Strengthening of the rand.*
(6) *Weakening of the rand.*
(7) *The impact from a major class of business, where withdrawals would reduce the overall impact of the stress, has been removed in line with management action being taken for that class.*

2. Segment information

Liberty is a matrix organisation with products and services managed by various business units along geographical lines and risk components. Operations are structured to align the group's services and related products to retail and institutional markets.

The segment information is therefore primarily presented by each distinct revenue generating service area. The group currently has two revenue generating service areas, namely retail long-term insurance and corporate long-term insurance.

The group accounts for inter-segment revenues and transfers as if the transaction were with third parties. Given the nature of the operations there is no single external customer that provides 10% or more of the group's revenues.

The profit or loss information follows a similar format to the consolidated statement of comprehensive income. The group's revenue generating business units are structured into business unit clusters, each headed up by a chief executive, who reports directly to the group's chief executive. These executives, along with the group's financial director, head of LibFin, and the group's executive strategic services, are considered to be the chief operating decision makers within the group. The group utilises additional measures to assess the performance of each of the segments, and include measures such as indexed new business, new business margin, net cash flows, assets under management and embedded value.

Definitions

Long-term insurance

Products and services sold in terms of the long-term insurance acts in various territories. These products and services are split between retail and corporate customers.

Retail

Products aimed at individuals that provide wealth creation, particularly through retirement savings, and wealth protection through health, life and disability insurance.

Corporate

Risk and retirement savings products under the umbrella of group schemes marketed to employers who provide those benefits to their employees.

Other

Other includes:

Investment portfolios	Shareholder capital, not allocated to the other operating segments, specifically invested to maximise the investment yield within the group's risk appetite and group regulatory requirements
Administration and shareholder services	Costs associated with the group's central administration and shareholder services, including certain corporate social investment and black empowerment activities.

Reporting adjustments

The information in the segment report is presented on the same basis as reported to management. Reporting adjustments are those accounting reclassifications and entries required to produce IFRS compliant results. Specific details of these adjustments are included as footnotes.

2. Segment information (continued)

2014 segment earnings

	Group						
Rm	Long-term insurance Retail	Long-term insurance Corporate	Asset management	Other	Total	Reporting adjustments[1]	IFRS reported
Policyholder premiums	39 004	14 271			53 275	(14 433)	38 842
Service fee income from policyholder investment contracts						914	914
Investment returns	23 357	5 107		1 521	29 985	946	30 931
Fee revenue	84		5	16	105		105
Total revenue	62 445	19 378	5	1 537	83 365	(12 573)	70 792
Net claims and policyholder benefits	(33 084)	(10 832)			(43 916)	13 220	(30 696)
Change in policyholders' liabilities	(15 811)	(7 006)			(22 817)	7 659	(15 158)
Fair value adjustment to policyholders' liabilities under investment contracts						(7 382)	(7 382)
Fair value adjustment on third party mutual fund interests						(336)	(336)
Acquisition costs	(3 771)	(245)		(40)	(4 056)		(4 056)
Marketing and administration expenses	(4 662)	(968)	(15)	(654)	(6 299)	(292)	(6 591)
Finance costs	(351)				(351)		(351)
Profit share allocations	(864)				(864)		(864)
Profit before taxation	3 902	327	(10)	843	5 062	296	5 358
Taxation	(1 705)	(91)	3	126	(1 667)		(1 667)
Total earnings	2 197	236	(7)	969	3 395	296	3 691
Other comprehensive income							
Owner-occupied properties – fair value adjustment	20	2			22		22
Net change in fair value on cash flow hedge	(129)				(129)		(129)
Post-retirement obligations	(13)	(2)		62	47		47
Foreign currency translation							
Change in policyholders' liabilities (application of shadow accounting)	(11)	(1)			(12)		(12)
Income and capital gains tax relating to:							
– owner-occupied properties	(9)	(1)			(10)		(10)
– net change in fair value on cash flow hedges	36				36		36
– post-retirement obligations	4			(30)	(26)		(26)
Total comprehensive income	2 095	234	(7)	1 001	3 323	296	3 619
Attributable to:							
Non-controlling interests						(296)	(296)
Equity holders	2 095	234	(7)	1 001	3 323		3 323

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of mutual fund subsidiaries, 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.*

2. Segment information (continued)

2013 segment earnings

	Group							
Rm	Long-term insurance Retail	Long-term insurance Corporate	Short-term insurance	Asset management	Other	Total	Reporting adjustments[(1)]	IFRS reported
Policyholder premiums	35 314	10 820	246			46 380	(13 211)	33 169
Service fee income from policyholder investment contracts							899	899
Investment returns	30 253	5 900	6		1 310	37 469	911	38 380
Fee revenue	65		18		12	95		95
Total revenue	65 632	16 720	270		1 322	83 944	(11 401)	72 543
Net claims and policyholder benefits	(29 175)	(10 865)	(167)			(40 207)	16 406	(23 801)
Change in policyholders' liabilities	(22 135)	(4 240)				(26 375)	5 877	(20 498)
Fair value adjustment to policyholders' liabilities under investment contracts							(9 990)	(9 990)
Fair value adjustment on third party mutual fund interests							(92)	(92)
Acquisition costs	(3 427)	(263)	(6)		(29)	(3 725)		(3 725)
Marketing and administration expenses	(4 477)	(1 081)	(94)	(5)	(580)	(6 237)	(242)	(6 479)
Finance costs	(276)				(1)	(277)		(277)
Profit share allocations	(948)	(2)				(950)		(950)
Profit before taxation	5 194	269	3	(5)	712	6 173	558	6 731
Taxation	(2 579)	(70)	(5)	1	(41)	(2 694)		(2 694)
Total earnings	2 615	199	(2)	(4)	671	3 479	558	4 037
Other comprehensive income								
Owner-occupied properties – fair value adjustment	30	3				33		33
Net change in fair value on cash flow hedge	(183)					(183)		(183)
Post-retirement obligations	21	3			26	50		50
Foreign currency translation	13		16			29		29
Change in policyholders' liabilities (application of shadow accounting)	(20)	(2)				(22)		(22)
Income and capital gains tax relating to:								
– owner-occupied properties	(10)	(1)				(11)		(11)
– net change in fair value on cash flow hedges	53					53		53
– post-retirement obligations	(6)	(1)			(7)	(14)		(14)
Total comprehensive income	2 513	201	14	(4)	690	3 414	558	3 972
Attributable to:								
Non-controlling interests	(10)	(4)	(7)			(21)	(558)	(579)
Equity holders	2 503	197	7	(4)	690	3 393		3 393

[(1)] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of mutual fund subsidiaries, 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. Equipment and owner-occupied properties under development

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
Cost at the beginning of the year	**2 478**	2 330	**2 372**	2 140
Disposals through business disposals		(36)		
Additions	**178**	419	**172**	434
Disposals	**(558)**	(194)	**(535)**	(155)
Foreign currency translation		6		
Reclassification to owner-occupied properties		(47)		(47)
Cost at the end of the year	**2 098**	2 478	**2 009**	2 372
Accumulated depreciation and impairment at the beginning of the year	**(1 505)**	(1 498)	**(1 451)**	(1 404)
Disposals through business disposals		19		
Disposals	**425**	190	**401**	150
Depreciation	**(198)**	(213)	**(196)**	(197)
Foreign currency translation		(3)		
Accumulated depreciation and impairment at the end of the year	**(1 278)**	(1 505)	**(1 246)**	(1 451)
Net carrying amount at the end of the year	**820**	973	**763**	921
Summary of net carrying value				
Computer equipment	**254**	267	**252**	265
Purchased computer software	**52**	39	**78**	72
Fixtures, furniture and fittings	**419**	561	**348**	489
Office equipment	**56**	72	**47**	62
Motor vehicles	**39**	34	**38**	33

3. Equipment and owner-occupied properties under development (continued)

	Group							
	Balance at the beginning of the year Rm	Business disposals Rm	Additions Rm	Dis-posals Rm	Depre-ciation Rm	Reclassi-fication Rm	Foreign currency trans-lation Rm	Balance at the end of the year Rm
2014								
Cost – movement								
Computer equipment	**1 049**		**80**	**(215)**				**914**
Purchased computer software	**119**		**32**	**(9)**				**142**
Fixtures, furniture and fittings	**1 104**		**41**	**(303)**				**842**
Office equipment	**144**		**8**	**(18)**				**134**
Motor vehicles	**62**		**17**	**(13)**				**66**
	2 478		**178**	**(558)**				**2 098**
Accumulated depreciation and impairment – movement								
Computer equipment	**(782)**			**212**	**(90)**			**(660)**
Purchased computer software	**(80)**			**9**	**(19)**			**(90)**
Fixtures, furniture and fittings	**(543)**			**190**	**(70)**			**(423)**
Office equipment	**(72)**			**2**	**(8)**			**(78)**
Motor vehicles	**(28)**			**12**	**(11)**			**(27)**
	(1 505)			**425**	**(198)**			**(1 278)**
2013								
Cost – movement								
Owner-occupied properties under development[(1)]	13		34			(47)		
Computer equipment	936	(4)	163	(46)				1 049
Purchased computer software	124	(11)	33	(29)			2	119
Fixtures, furniture and fittings	1 049	(4)	145	(87)			1	1 104
Office equipment	128	(5)	26	(6)			1	144
Motor vehicles	80	(12)	18	(26)			2	62
	2 330	(36)	419	(194)		(47)	6	2 478
Accumulated depreciation and impairment – movement								
Computer equipment	(743)	2		45	(86)			(782)
Purchased computer software	(99)	6		29	(15)		(1)	(80)
Fixtures, furniture and fittings	(541)	2		87	(91)			(543)
Office equipment	(72)	3		6	(8)		(1)	(72)
Motor vehicles	(43)	6		23	(13)		(1)	(28)
	(1 498)	19		190	(213)		(3)	(1 505)

[(1)] *No depreciation is provided for on properties under development.*

3. Equipment and owner-occupied properties under development (continued)

	Company					
	Balance at the beginning of the year Rm	Additions Rm	Disposals Rm	Depre-ciation Rm	Reclassi-fication Rm	Balance at the end of the year Rm
2014						
Cost – movement						
Computer equipment	**1 043**	**79**	**(214)**			**908**
Purchased computer software	**152**	**32**	**(9)**			**175**
Fixtures, furniture and fittings	**981**	**36**	**(282)**			**735**
Office equipment	**133**	**8**	**(17)**			**124**
Motor vehicles	**63**	**17**	**(13)**			**67**
	2 372	**172**	**(535)**			**2 009**
Accumulated depreciation and impairment – movement						
Computer equipment	**(778)**		**211**	**(89)**		**(656)**
Purchased computer software	**(80)**		**9**	**(26)**		**(97)**
Fixtures, furniture and fittings	**(492)**		**167**	**(62)**		**(387)**
Office equipment	**(71)**		**2**	**(8)**		**(77)**
Motor vehicles	**(30)**		**12**	**(11)**		**(29)**
	(1 451)		**401**	**(196)**		**(1 246)**
2013						
Cost – movement						
Owner-occupied properties under development[(1)]	13	34			(47)	
Computer equipment	911	162	(30)			1 043
Purchased computer software	119	64	(31)			152
Fixtures, furniture and fittings	916	135	(70)			981
Office equipment	112	24	(3)			133
Motor vehicles	69	15	(21)			63
	2 140	434	(155)		(47)	2 372
Accumulated depreciation and impairment – movement						
Computer equipment	(724)		29	(83)		(778)
Purchased computer software	(95)		31	(16)		(80)
Fixtures, furniture and fittings	(482)		70	(80)		(492)
Office equipment	(67)		3	(7)		(71)
Motor vehicles	(36)		17	(11)		(30)
	(1 404)		150	(197)		(1 451)

(1) *No depreciation is provided for on properties under development.*

4. Owner-occupied properties

	Group and Company	
	2014	2013
	Rm	Rm
Details of property investments are recorded in registers, which may be inspected by members or their duly authorised agents, at the company's registered office.		
Fair value at the beginning of the year	**1 277**	1 307
Additions – capitalised subsequent expenditure	**13**	
Revaluations	**22**	33
Reclassifications from properties under development		47
Reclassifications to investment properties	**(58)**	(110)
Fair value at the end the of the year	**1 254**	1 277

All property is located in South Africa.

The cost less accumulated depreciation of the owner-occupied properties is provided below. The allowed alternative method as described by IAS 16 is fair value, which has been adopted by the group.

	2014	2013
	Rm	Rm
Cost at the beginning of the year	**737**	730
Additions – capitalised subsequent expenditure	**13**	
Reclassifications from properties under development		47
Reclassifications to investment properties	**(25)**	(40)
Cost at the end of the year	**725**	737
Accumulated depreciation at the beginning and end of the year[1]	**(57)**	(57)
Cost less accumulated depreciation	**668**	680

[1] *No depreciation was provided in 2014 or 2013 as the residual value of the building is equal or greater than the cost less accumulated depreciation.*

The valuation of owner-occupied properties and investment properties were independently valued as at 31 December 2014 by registered professional valuers with the South African Council for the Property Valuers Profession as well as members of the Institute of Valuers of South Africa.

The valuation is prepared in accordance with the guidelines of the South African Institute of Valuers for valuation reports and in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors, adapted for South African law and conditions. The valuation assumes that there will be no change in the social, economic or political circumstances between the date of the valuation and the financial year-end of the company.

The basis of value is "fair value" which is defined as an opinion of the best price (adopting the highest and best use principle) at which the sale of an interest in property, taking into account existing tenant lease terms, would have been completed unconditionally for a cash consideration on the date of valuation assuming:

- a willing seller;
- that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as at the date of valuation;
- that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

The properties have been valued on a discounted cash flow basis. In the majority of cases, discounted cash flows have been used and summed together with the capitalised and discounted value of the projected income to give present value as at 31 December 2014. In order to determine the reversionary rental income on lease expiry, renewal or review a market gross rental income (basic rental plus operating cost rental) has been applied to give a market- related rental value for each property as at 31 December 2014.

4. Owner-occupied properties (continued)

Market rental growth has been determined based on the individual property, property market trends and economic forecasts. Vacancies have been considered based on historic and current vacancy factors as well as the nature, location, size and popularity of each building.

Appropriate discount rates have been applied to cash flows for each property to reflect the relative investment risk associated with the particular building, tenant, covenant and the projected income flow. Extensive market research has been conducted to ascertain the most appropriate market-related discount rate to apply, regard to the current long-term bond yield (R204 risk free rate) and the relative attractiveness that an investor may place on property as an asset class.

Primary discount rates used to value the South African properties range from 6.75% to 10.5% (2013: 7% to 11%) on a property by property basis. Exit capitalisation rates generally range from 6.75% to 10.5% (2013: 7% to 11%).

On the basis that turnover or profit rental income has a greater degree of uncertainty and risk than the contractual base rental, a risk premium of between 1% and 6% has been added to the discount rate and to the exit capitalisation rate, to reflect the greater investment risk associated with the variable rental element on a property by property basis.

5. Investment properties

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Details of property investments are recorded in registers, which may be inspected by members or their duly authorised agents, at the company's registered office.				
Fair value at the beginning of the year	**27 217**	24 063	**24 644**	21 919
Revaluations net of lease straight-lining	**1 159**	2 510	**1 046**	2 233
Revaluations	**1 105**	2 578	**997**	2 197
Net movement on straight-lining operating leases	**54**	(68)	**49**	36
Additions – property acquired	**163**	42	**163**	42
Additions – capitalised subsequent expenditure	**735**	546	**624**	369
Disposal through business disposals		(20)		
Disposals	**(2 339)**	(29)	**(2 339)**	(29)
Reclassifications from owner-occupied properties	**58**	110	**58**	110
Foreign currency translation		(5)		
Investment properties at fair value at the end of the year	**26 993**	27 217	**24 196**	24 644
Operating leases – accrued income	**1 261**	1 315	**420**	469
Total investment properties	**28 254**	28 532	**28 532**	25 113
Property types				
Shopping malls	**24 485**	23 852	**23 852**	20 766
Hotels	**1 219**	2 455	**2 455**	2 329
Office buildings	**1 446**	1 358	**1 358**	1 439
Other	**1 104**	867	**867**	579

All property is located in South Africa.

5. Investment properties (continued)

The investment properties were independently valued as at 31 December 2014 by registered professional valuers with the South African Council for the Property Valuers Profession as well as members of the Institute of Valuers of South Africa. The method of valuation is more fully described in note 4, owner-occupied properties.

At 31 December 2014 unlet space amounted to 9,7% (2013: 6,0%) of available lease area in the investment properties held by the company. The average net rental growth is 0,6% (2013: 2,3%)

The property rental income earned by the group from its investment property, all of which is leased out under operating leases, amounted to R2 100 million (2013: R2 200 million) for the group, and R1 046 million (2013: R1 084 million) for the company. Direct operating expenses arising on the investment property amounted to R631 million (2013: R627 million) for the group and R576 million (2013: R585 million) for the company.

Critical accounting estimates and judgements

A key input to the models that derive the fair value of properties is the capitalisation rate. The combined fair value at 31 December 2014 of owner-occupied properties (R1 254 million) and investment properties (R28 254 million) is R29 508 million (2013: R29 809 million) for the group and owner-occupied properties (R1 254 million) and investment properties (R24 616 million) is R25 870 million (2013: R26 390 million) for the company. A 1% absolute change to the capitalisation rate assumption would increase the total fair value by R4,14 billion (2013: R4,11 billion) if the assumption decreased, and decrease the total fair value by R3,15 billion (2013: R3,15 billion) if the assumption increased.

6. Intangible assets

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Cost at the beginning of the year	**2 374**	2 381	**1 977**	498
Disposal through business disposals		(52)		
Transfer of insurance business arising from life licence rationalisation				1 435
Additions	**51**	44		44
Disposals		(8)		
Foreign currency translation		9		
Cost at the end of the year	**2 425**	2 374	**1 977**	1 977
Accumulated amortisation and impairment at the beginning of the year	**(2 092)**	(1 983)	**(1 695)**	(457)
Disposal through business disposals		21		
Transfer of insurance business arising from life licence rationalisation				(1 192)
Amortisation	**(121)**	(127)	**(121)**	(46)
Foreign currency translation		(3)		
Accumulated amortisation and impairment at the end of the year	**(2 213)**	(2 092)	**(1 816)**	(1 695)
Net carrying amount at the end of the year	**212**	282	**161**	282
Summary of net carrying value				
Goodwill[1]				
Computer software – internally generated	**109**	74	**58**	74
Present value of in-force policyholder contracts[2]	**103**	208	**103**	208

[1] *Goodwill relates to the acquisition of Capital Alliance Life Limited, which was fully impaired. All operations of this entity was transferred to the Liberty Group Limited.*

[2] *Represents the present value (at acquisition date) of future profits before taxation, on policyholder contracts acquired from business combinations, less amortisations. No internally generated value of in-force has been recognised, since it does not meet the recognition criteria in IAS 38.*

6. Intangible assets (continued)

	Group							
	Balance at beginning of year Rm	Business disposals Rm	Additions Rm	Disposals Rm	Foreign currency translation Rm	Amorti-sation Rm	Balance at end of year Rm	Amorti-sation period
2014								
Cost – movement								
Goodwill	**397**						**397**	
Computer software – internally generated	**353**		**51**				**404**	
Present value of in-force policyholder contracts	**1 624**						**1 624**	
	2 374		**51**				**2 425**	
Accumulated amortisation and impairment – movement								
Goodwill	**(397)**						**(397)**	
Computer software – internally generated	**(279)**					**(16)**	**(295)**	**Up to 7 years**
Present value of in-force policyholder contracts	**(1 416)**					**(105)**	**(1 521)**	**Up to 15 years**
	(2 092)					**(121)**	**(2 213)**	
2013								
Cost – movement								
Goodwill	397						397	
Computer software – internally generated	317		44	(8)			353	
Customer relationships and contracts	43	(52)			9			
Present value of in-force policyholder contracts	1 624						1 624	
	2 381	(52)	44	(8)	9		2 374	
Accumulated amortisation and impairment – movement								
Goodwill	(397)						(397)	
Computer software – internally generated	(273)					(6)	(279)	Up to 7 years
Customer relationships and contracts	(8)	21			(3)	(10)		Up to 7 years
Present value of in-force policyholder contracts	(1 305)					(111)	(1 416)	Up to 15 years
	(1 983)	21			(3)	(127)	(2 092)	

6. Intangible assets (continued)

	Company					
	Balance at beginning of year Rm	Additions Rm	Amor-tisation Rm	Transfer of insurance business arising from life license rationalisation Rm	Balance at end of year Rm	Amorti-sation period
2014						
Cost – movement						
Computer software – internally generated	**353**				**353**	
Present value of in-force policyholder contracts	**1 624**				**1 624**	
	1 977				**1 977**	
Accumulated amortisation and impairment – movement						
Computer software – internally generated	**(279)**		**(16)**		**(295)**	**Up to 7 years**
Present value of in-force policyholder contracts	**(1 416)**		**(105)**		**(1 521)**	**Up to 10 years**
	(1 695)		**(121)**		**(1 816)**	
2013						
Cost – movement						
Computer software – internally generated	309	44			353	
Present value of in-force policyholder contracts	189			1 435	1 624	
	498	44		1 435	1 977	
Accumulated amortisation and impairment – movement						
Computer software – internally generated	(272)		(7)		(279)	Up to 7 years
Present value of in-force policyholder contracts	(185)		(39)	(1 192)	(1 416)	Up to 10 years
	(457)		(46)	(1 192)	(1 695)	

Goodwill impairment testing

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows from continuing use defined as cash-generating units (CGU).

7. Deferred acquisition costs

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
Balance at the beginning of the year	**513**	439	**513**	437
Transfer of insurance business arising from life license rationalisation				1
Cost of new business acquired	**294**	293	**294**	293
Amortisation realised through profit or loss	**(235)**	(219)	**(235)**	(218)
Balance at the end of the year	**572**	513	**572**	513
Current	**154**	151	**154**	151
Non-current	**418**	362	**418**	362

Deferred acquisition costs are amounts incurred on acquiring policyholder investment contracts. They are amortised to income over the contract period.

8. Interest in subsidiaries

	Company	
	2014	2013
	Rm	Rm
8.1 Summary		
Shares at cost	**2 342**	2 200
Intergroup balances	**184**	113
Impairment provision	**(2 188)**	(1 844)
Total interest in subsidiaries	**338**	469
8.2 Movement analysis		
Shares at cost		
Shares at cost at the beginning of the year	**2 200**	4 155
In specie capital reduction		(1 830)
Intangible assets net of deferred tax recognised as a result of life license rationalisation		(169)
Disposals		(52)
Increase of capital	**142**	96
Shares at cost at the end of the year	**2 342**	2 200
Intergroup balances		
Intergroup balances at the beginning of the year	**113**	79
Advances	**71**	34
Arising from life licence rationalisation transaction		(2 153)
In specie capital reduction		1 830
In specie dividends from subsidiaries		323
Intergroup balances at the end of the year	**184**	113
Impairment provision		
Impairment provision at the beginning of the year	**(1 844)**	(397)
Impairment provision raised	**(344)**	(1 447)
Impairment provision at the end of the year	**(2 188)**	(1 844)

8. Interest in subsidiaries (continued)

	Amount of issued share capital	Percentage of issued share capital		Company: Shares at cost		Intergroup balances[1]		Impairment provision	
	2014 R	2014 %	2013 %	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
8.3 Subsidiaries (unlisted) – directly owned				**2 342**	2 200	**184**	113	**(2 188)**	(1 844)
Long-term insurance									
Capital Alliance Life Limited	**2 562 001**	**100**	100	**1 855**	1 855			**(1 844)**	(1 844)
Frank Life Limited	**76 653 010**	**100**	100	**77**	70				
Liberty Active Limited	**5 750 075**	**100**	100	**6**	6				
Investment holding									
LPH Properties Limited	**869 083**	**100**	100	**1**	1				
Social responsibility									
The Liberty Life Educational Foundation	**n/a**	**100**	100						
Other									
General Staff Scheme Share Trust	**n/a**	**100**	100						
[2004 General staff scheme]									
Frank Financial Services Proprietary Limited	**378 828 709**	**100**	100	**378**	265	**184**	113	**(344)**	
[Marketing and administration services]									
Liberty Private Fund Administrators Proprietary Limited	**100**	**100**	100						
[Fund administrators]									
Liberty Linked Investment Platform Proprietary Limited	**25 000 100**	**100**	100	**25**	3				
Dormant									
North City Brokers Limited	**40 000**	**100**	100						
Sandton Hotels Proprietary Limited	**1 000**	**100**							

[1] *All subsidiary loans are at fair value and have no specific repayment terms but are repayable on demand and are interest free.*

	Percentage share of partnership	
	2014 %	2013 %
8.4 Unincorporated property partnerships		
Offices and shopping centres		
Sandton City	**75**	75
Sandton Convention Centre	**60**	60
Hotel operations		
Sandton Sun and Towers	**75**	75
Garden Court Sandton City	**75**	75

Liberty Group Limited, indirectly, has interests in a number of other subsidiaries. The directors are of the opinion that to publish the full information would not be of further assistance to shareholders in obtaining a meaningful appreciation of the state of the company's affairs. A register detailing such information in respect of all subsidiaries of Liberty Group Limited will be available for inspection by members or their duly authorised agents at the company's registered office.

9. Interest in subsidiaries – mutual funds

		Company			
		Participation rights in total issued units		Units held at fair value	
	Place of incorporation	2014 %	2013 %	2014 Rm	2013 Rm
STANLIB Prudential Bond Fund	South Africa	**95**	100	**15 600**	16 655
STANLIB MM Equity Fund	South Africa	**87**		**9 514**	
STANLIB MM Balanced Fund	South Africa	**94**		**4 063**	
STANLIB MM Bond Fund	South Africa	**100**		**4 001**	
STANLIB SWIX 40 Exchange Traded Fund	South Africa	**90**	96	**2 192**	2 556
STANLIB MM Enhanced Yield Fund	South Africa	**94**		**1 987**	
Investec International High Yield Fund	Guernsey	**100**	100	**1 715**	1 445
STANLIB MM Defensive Balanced Fund	South Africa	**100**		**1 176**	
Global Insurance Settlements Fund PLC	Ireland	**84**	83	**919**	929
STANLIB Global Bond Feeder Fund	South Africa	**97**	93	**545**	470
STANLIB ETF Top 40 Fund	South Africa	**85**	79	**635**	406
RMB Liberty Progressive Bonus Absolute Portfolio	South Africa	**100**	100	**402**	390
Standard Global Emerging Markets Property Fund	Ireland		100		117
Total interests in subsidiary mutual funds				**42 749**	22 968

10. Interest in consolidated structured entities

	Company	
	2014 Rm	2013 Rm
Debt instrument at fair value	**11**	10
Summarised financial information of consolidated structured entities		
Total assets	**11**	10
Total liabilities	**(11)**	(10)

Details of interests

	Percentage of participation rights	Percentage of participation rights	Fair value	Fair value
Name	**2014 %**	2013 %	**2014 Rm**	2013 Rm
Passives Funding Proprietary Limited	**100**	100	**11**	10

11. Interest in joint ventures

	Note	Group 2013 Rm	Company 2013 Rm
11.1 Summary			
Interest in joint ventures – equity accounted[(1)]	11.2	3	4
Interest in joint ventures – measured at fair value[(2)]		400	400
Total interest in joint ventures		403	404

(1) Interest in joint venture – equity accounted (The Financial Services Exchange (Pty) Ltd) has been impaired to nil

(2) Liberty entered into a transaction with Southern Sun Hotel Interests (Pty) Ltd where the two entities restructured their respective shareholdings in the jointly held asset, The Cullinan Hotel (Pty) Ltd (Cullinan). Liberty Group Limited's shareholding in Cullinan diluted to 40% from 50% effective 30 April 2014. It also sold a portion of its hotel portfolio to Cullinan. As a result of this transaction Liberty has significant influence over Cullinan and the investment is now accounted for as an associate held at fair value. Refer to note 13. 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.

	Group 2013 Rm	Company 2013 Rm
11.2 Summary – equity accounted joint ventures		
Loans and receivables	4	4
Share of post-acquisition reserves	(1)	
Total interest in joint ventures	3	4

12. Pledged assets measured at fair value through profit or loss

	Group and Company	
	2014 Rm	2013 Rm
Repurchase agreements		
Government, municipal and utility bonds	**2 516**	1 126
Scrip lending		
Listed equities on the JSE	**4 265**	
Collateral		
Government, municipal and utility bonds	**210**	222
Total pledged assets	**6 991**	1 348
Maturity analysis		
The maturities represent periods to contractual redemption of the pledged assets recorded		
Maturity between 0 – 12 months	**6 201**	1 126
Maturity between 2 – 3 years	**580**	
Undated	**210**	222
Total	**6 991**	1 348

13. Interest in associates – measured at fair value through profit or loss

		Group and Company	
		2014	2013
		Rm	Rm
Interests in The Cullinan Hotel (Pty) Ltd	13.1	**950**	
Interests in mutual funds	13.2	**2 421**	2 176
Total interest in associates		**3 371**	2 176

As a result of a series of transactions that involved selling a portion (R1,1 billion) of the group's hotel portfolio to The Cullinan Hotel (Pty) Ltd (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. 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.

13.1 Interests in The Cullinan Hotel (Pty) Ltd

	2014
	Rm
Ordinary shares – ownership 40%	**406**
Loan	**544**
Total interests in The Cullinan Hotel	**950**
Summarised financial information of The Cullinan Hotel (Pty) Ltd	
Investment properties	**2 120**
Other non-current assets	**234**
Current assets	**67**
Shareholder loans	**(1 360)**
Current liabilities	**(32)**
Total revenue [1]	**450**
Total comprehensive income	**62**

[1] *Total revenue is defined as hotel revenue, interest, dividend and sundry income.*

The loan which is measured at fair value, bears interest at a rate equal to JIBAR plus and an agreed margin of 4.43%. Interest is paid annually on 31 March. The loan is repayable in full on 1 May 2024. There is a reciprocal put and call agreement between the shareholders, being Liberty Group Limited and Southern Sun Hotel Interests Proprietary Limited (SSHI). If exercised by either party, Liberty's interests will be sold to SSHI at fair value. This agreement stipulates that the earliest date of exercising is 1 May 2016. No notice has been received or given at the date of this report. The implied derivative value is nil at 31 December 2014, as Liberty's interests are already measured at fair value.

13. Interest in associates – measured at fair value through profit or loss (continued)

13.2 Interests in mutual funds

As at 31 December, the group's interests in mutual fund associates measured at fair value and final percentages held were as follows:

	Group and Company			
	Percentage of participation rights in total issued units		Fair value	
	2014	2013	**2014**	2013
Name	**%**	%	**Rm**	Rm
South Africa Infrastructure Fund	**31**	31	**2 027**	1 869
Africa Infrastructure Fund	**20**	20	**394**	307
Total interests in mutual funds			**2 421**	2 176

Associates material to the group	South Africa Infrastructure Fund	
	2014 **Rm**	2013 Rm
Fair value of associates held at fair value through profit or loss	**2 027**	1 869
Distributions received[(1)]	**105**	10
Summarised financial information of associates		
Current assets	**31**	339
Non-current assets	**4 471**	8 150
Current liabilities	**(2)**	(2)
Total revenue[(2) (3)]	**377**	312
Total comprehensive income[(4)]	**355**	270

[(1)] *Distributions received comprise dividends and interest.*

[(2)] *Total revenue is defined as interest, dividend and sundry income.*

[(3)] *Units or shares held in mutual funds are by their nature demand deposits and are held at fair value. The net income or loss is capitalised to unit values within each fund and consequently there is no net profit or loss. Increase in net assets as a result of operations represents total income less expenses before any distributions or capitalisation.*

[(4)] *Total comprehensive income is net income before distributions.*

14. Financial investments and derivative assets and liabilities

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
14.1 Financial investments comprise:				
Financial assets designated at fair value through profit or loss				
Quoted in an active market				
Listed	**162 022**	140 406	**122 972**	118 406
Equities	**77 280**	68 584	**63 260**	65 281
Preference shares	**1 001**	1 489	**982**	1 489
Commercial term deposits	**25 050**	15 074	**17 878**	11 701
Mutual funds	**33 663**	29 485	**31 479**	28 982
Government, municipal and utility stocks	**25 028**	25 774	**9 373**	10 953
Unlisted	**105 059**	83 323	**100 456**	83 265
Commercial term deposits	**19 755**	15 514	**19 690**	15 514
Mutual funds	**85 304**	67 809	**80 766**	67 751
Unquoted and unlisted	**7 774**	26 842	**6 666**	25 775
Equities	**297**	57	**297**	57
Preference shares	**691**	1 140	**691**	1 140
Investment policies	**6 786**	25 645	**5 678**	24 578
Loans and receivables				
Loans(1)	**1 044**	977	**1 044**	977
Total financial investments	**275 899**	251 548	**231 138**	228 423
14.2 Derivative assets and liabilities:				
Assets:				
Derivative assets held for trading	**4 943**	4 938	**4 890**	4 893
Cash flow hedge assets	**6**		**6**	
Collateral deposits	**2 799**	1 431	**2 799**	1 431
Total derivative assets	**7 748**	6 369	**7 695**	6 324
Liabilities:				
Derivative liabilitiess held for trading	**3 623**	4 007	**3 623**	4 007
Cash flow hedge liabilities	**1 486**	837	**1 486**	837
Total derivative liabilities	**5 109**	4 844	**5 109**	4 844

(1) *The fair value of loans is R921 million (2013: R862 million) for the group and R921 million (2013: R862 million) for the company.*

14. Financial investments and derivative assets and liabilities (continued)

14.3 Movement analysis:

	Group				
	Derivatives held for hedging Rm	Derivatives held for trading Rm	Fair value through profit or loss Rm	Loans and receivables Rm	Total Rm
2014					
Balance at the beginning of the year	(837)	2 362	254 095	977	256 597
Financial investments			250 571	977	251 548
Held for trading assets		6 369			6 369
Held for trading liabilities		(4 007)			(4 007)
Held for hedging liabilities	(837)				(837)
Pledged assets			1 348		1 348
Interest in associates – measured at fair value			2 176		2 176
Redesignated to cash flow hedges	(44)	44			
Additions (purchasings and issuings)		2 740	269 028	125	271 893
Disposals (sales and redemptions)	27	(452)	(256 850)		(257 275)
Accrued interest				89	89
Repayments				(152)	(152)
Fair value adjustments – income statement	(497)	(582)	17 007		15 928
Fair value adjustments – other comprehensive income	(129)				(129)
Impairment				5	5
Movement on third party share of financial instruments in mutual funds		7	1 937		1 944
Balance at the end of the year	(1 480)	4 119	285 217	1 044	288 900
Financial investments			274 855	1 044	275 899
Held for trading assets		7 742			7 742
Held for trading liabilities		(3 623)			(3 623)
Held for hedging assets	6				6
Held for hedging liabilities	(1 486)				(1 486)
Pledged assets			6 991		6 991
Interest in associates – measured at fair value			3 371		3 371

14. Financial investments and derivative assets and liabilities (continued)

14.3 Movement analysis:

	Group				
	Derivatives held for hedging Rm	Derivatives held for trading Rm	Fair value through profit or loss Rm	Loans and receivables Rm	Total Rm
2013					
Balance at the beginning of the year	(60)	868	227 328	913	229 049
Financial investments			225 809	913	226 722
Held for trading assets		6 855			6 855
Held for trading liabilities		(5 987)			(5 987)
Held for hedging asset	35				35
Held for hedging liabilities	(95)				(95)
Interests in associates – measured at fair value			1 519		1 519
Redesignated to cash flow hedges	(23)	23			
Disposals through business disposals			(130)		(130)
Additions (purchasings and issuings)		6 517	173 488	131	180 136
Disposals (sales and redemptions)		(2 958)	(173 425)		(176 383)
Accrued interest				82	82
Repayments				(146)	(146)
Fair value adjustments – income statement	(571)	(2 010)	26 885		24 304
Fair value adjustments – other comprehensive income	(183)				(183)
Impairment				(3)	(3)
Movement on third party share of financial instruments in mutual funds		(78)	(67)		(145)
Foreign currency translation			16		16
Balance at the end of the year	(837)	2 362	254 095	977	256 597
Financial investments			250 571	977	251 548
Held for trading assets		6 369			6 369
Held for trading liabilities		(4 007)			(4 007)
Held for hedging liabilities	(837)				(837)
Pledged assets			1 348		1 348
Interest in associates – measured at fair value			2 176		2 176

14. Financial investments and derivative assets and liabilities (continued)

14.3 Movement analysis:

	Company				
	Derivatives held for hedging Rm	Derivatives held for trading Rm	Fair value through profit or loss Rm	Loans and receivables Rm	Total Rm
2014					
Balance at the beginning of the year	**(837)**	**2 317**	**253 938**	**977**	**256 395**
Financial investments			**227 446**	**977**	**228 423**
Held for trading assets		**6 324**			**6 324**
Held for trading liabilities		**(4 007)**			**(4 007)**
Held for hedging liabilities	**(837)**				**(837)**
Pledged assets			**1 348**		**1 348**
Interest in associates – measured at fair value			**2 176**		**2 176**
Interest in subsidiaries – mutual funds			**22 968**		**22 968**
Redesignated as derivatives held for hedging	**(44)**	**44**			
Additions (purchasings and issuings)		**2 739**	**268 994**	**125**	**271 858**
Disposals (sales and redemptions)	**27**	**(453)**	**(256 847)**		**(257 273)**
Accrued interest				**89**	**89**
Repayments				**(152)**	**(152)**
Impairment				**5**	**5**
Fair value adjustments – total earnings	**(497)**	**(581)**	**17 120**		**16 042**
Fair value adjustments – other comprehensive income	**(129)**				**(129)**
Balance at the end of the year	**(1 480)**	**4 066**	**283 205**	**1 044**	**286 835**
Financial investments			**230 094**	**1 044**	**231 138**
Held for trading assets		**7 689**			**7 689**
Held for trading liabilities		**(3 623)**			**(3 623)**
Held for hedging assets	**6**				**6**
Held for hedging liabilities	**(1 486)**				**(1 486)**
Pledged assets			**6 991**		**6 991**
Interest in associates – measured at fair value			**3 371**		**3 371**
Interest in subsidiaries – mutual funds			**42 749**		**42 749**

14. Financial investments and derivative assets and liabilities (continued)

14.3 Movement analysis:

	Company				
	Derivatives held for hedging Rm	Derivatives held for trading Rm	Fair value through profit or loss Rm	Loans and receivables Rm	Total Rm
2013					
Balance at the beginning of the year	(37)	532	185 295	183	185 973
Financial investments			166 648	183	166 831
Held for trading assets		6 102			6 102
Held for trading liabilities		(5 570)			(5 570)
Held for hedging assets	35				35
Held for hedging liabilities	(72)				(72)
Interests in associates – measured at fair value			1 429		1 429
Interest in subsidiaries – mutual funds			17 218		17 218
Transfer of insurance business arising from life licence rationalisation	(70)	(55)	48 216	763	48 854
Cancellation of intergroup investment policies following life licence rationalisation			(11 245)		(11 245)
Redesignated as derivatives held for hedging	(23)	23			
Additions (purchasings and issuings)		5 906	153 537	66	159 509
Disposals (sales and redemptions)		(2 895)	(147 565)		(150 460)
Accrued interest				40	40
Repayments				(75)	(75)
Fair value adjustments – total earnings	(522)	(1 194)	25 700		23 984
Fair value adjustments – other comprehensive income	(185)				(185)
Balance at the end of the year	(837)	2 317	253 938	977	256 395
Financial investments			227 446	977	228 423
Held for trading assets		6 324			6 324
Held for trading liabilities		(4 007)			(4 007)
Held for hedging liabilities	(837)				(837)
Pledged assets			1 348		1 348
Interest in associates – measured at fair value			2 176		2 176
Interest in subsidiaries – mutual funds			22 968		22 968

14. Financial investments and derivative assets and liabilities (continued)

14.4 Maturity profile of commercial term deposits, redeemable preference shares, government, municipal and utility stocks and loans:

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Less than 1 year	**11 460**	8 358	**10 240**	8 322
1 – 5 years	**19 118**	16 824	**14 877**	14 834
5 – 10 years	**14 011**	16 304	**8 629**	6 524
10 – 20 years	**18 350**	11 249	**9 428**	4 947
Over 20 years	**7 443**	4 709	**4 316**	4 623
Open ended[1]	**1 043**	977	**1 043**	977
Total	**71 425**	58 421	**48 533**	40 227

There is no maturity profile for listed and unlisted equities and other non-term instruments as management is unable to provide a reliable estimate given the volatility of equity markets and policyholder behaviour.

Details of listed and unlisted investments are recorded in registers which may be inspected by members or their duly authorised agents at the company's registered office.

[1] *Open ended represent loans which are secured against policyholder contracts and the maturity profile is not determinable as the holder has the option to settle at any time prior to the contract maturity date.*

14.5 Cash flow hedging reserve

	Group		
	Gross value Rm	**Income taxation Rm**	**Net value Rm**
2014			
Balance at beginning of the year	**(198)**	**57**	**(141)**
Net change in fair value on cash flow hedge	**(129)**	**36**	**(93)**
Balance at the end of the year	**(327)**	**93**	**(234)**
2013			
Balance at beginning of the year	(15)	4	(11)
Net change in fair value on cash flow hedge	(183)	53	(130)
Balance at the end of the year	(198)	57	(141)

	Company		
	Gross value Rm	**Income taxation Rm**	**Net value Rm**
2014			
Balance at beginning of year	**(198)**	**57**	**(141)**
Net change in fair value on cash flow hedge	**(129)**	**36**	**(93)**
Balance at the end of the year	**(327)**	**93**	**(234)**
2013			
Balance at beginning of year	(13)	4	(9)
Net change in fair value on cash flow hedge	(185)	53	(132)
Balance at the end of the year	(198)	57	(141)

15. Prepayments, insurance and other receivables

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Current balances related to insurance contracts	**785**	774	**775**	770
Outstanding premium receivables	**367**	471	**367**	471
Reinsurance recoveries	**418**	303	**408**	299
Current balances related to investment contracts				
Outstanding premium receivables	**193**	76	**193**	76
Current balances related to insurance and investment contracts	**978**	850	**968**	846
Accrued income	**48**	59	**48**	59
Investment debtors	**91**	503	**91**	503
Consolidated mutual funds receivables	**513**	375		
Property consortiums receivables	**45**	48		
Loans and current accounts(2)	**205**	160	**248**	150
Agents, brokers and intermediaries	**180**	142	**180**	142
Other debtors	**380**	400	**351**	384
Total prepayments, insurance and other receivables(1)	**2 440**	2 537	**1 886**	2 084

(1) *All inflows of economic benefits are expected to occur within one year.*

(2) *With effect from 12 December 2014 Liberty Group Limited acquired a number of financial investments from Liberty Holdings Limited totalling R302 million. A deferred capital gains taxation liability totalling R26 million was transferred to Liberty Group Limited, which is included in this balance.*

16. Cash and cash equivalents

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Cash at bank and at hand	**1 663**	1 063	**1 624**	973
Short-term cash deposits	**4 697**	4 010	**3 611**	3 870
Total cash and cash equivalents	**6 360**	5 073	**5 235**	4 843

17. Long-term policyholder liabilities and reinsurance assets

	Group					
	Insurance contracts	**Investment contracts with DPF[1]**	**Reinsurance assets**	Insurance contracts	Investment contracts with DPF[1]	Reinsurance assets
		2014			2013	
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
Balance at the beginning of the year	**179 884**	**7 730**	**(1 126)**	164 160	2 820	(966)
Disposal through business disposal				(44)	(20)	8
Inflows	**58 468**	**2 196**	**(1 044)**	57 358	2 403	(992)
Insurance premiums	**38 161**	**1 599**	**(918)**	32 296	1 553	(926)
Investment returns	**20 307**	**597**	**(126)**	25 062	850	(66)
Unwinding of discount rate	**741**		**(126)**	942	1	(66)
Investments	**19 566**	**597**		24 120	849	
Outflows	**(41 695)**	**(496)**	**878**	(38 740)	(705)	774
Claims and policyholders' benefits	**(30 404)**	**(369)**	**863**	(27 073)	(514)	740
Acquisition costs associated with insurance contracts	**(3 712)**	**(62)**		(3 411)	(120)	6
Profit share allocations	**(864)**			(950)		
Finance costs	**(266)**			(208)		
General marketing and administration expenses	**(4 733)**	**(61)**		(4 464)	(77)	8
Expenses recovered from other group companies	**84**			65		
Taxation	**(1 800)**	**(4)**	**15**	(2 699)	6	20
Switches between investment with DPF and investment without DPF		**(786)**			3 213	
Net income from insurance operations	**(2 380)**	**(12)**	**41**	(2 857)	15	51
Changes in assumptions	**(106)**		**(1)**	218		(2)
Discretionary and compulsory margins and other variances	**(3 885)**	**(16)**	**56**	(4 715)	21	68
New business	**190**		**1**	59		2
Shareholder taxation on transfer of net income	**1 421**	**4**	**(15)**	1 581	(6)	(17)
Foreign currency translation				7	4	(1)
Balance at the end of the year	**194 277**	**8 632**	**(1 251)**	179 884	7 730	(1 126)
Current	**15 794**	**386**	**(215)**	15 224	389	(186)
Non-current	**178 483**	**8 246**	**(1 036)**	164 660	7 341	(940)

[1] *The company 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 right 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 company.*

17. Long-term policyholder liabilities and reinsurance assets (continued)

	Company					
	Insurance contracts	**Investment contracts with DPF[(1)]**	**Rein-surance assets**	Insurance contracts	Investment contracts with DPF[(1)]	Rein-surance assets
		2014			2013	
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
Balance at the beginning of the year	**179 955**	**7 730**	**(1 120)**	119 682	2 808	(431)
Transfer of insurance business arising from life licence rationalisation				44 614		(502)
Inflows	**58 416**	**2 196**	**(1 032)**	47 369	2 396	(797)
Insurance premiums	**38 109**	**1 599**	**(905)**	24 476	1 547	(754)
Investment returns	**20 307**	**597**	**(127)**	22 893	849	(43)
Unwinding of discount rate	**741**		**(127)**	243		(43)
Investments	**19 566**	**597**		22 650	849	
Outflows	**(41 651)**	**(497)**	**868**	(29 278)	(701)	614
Claims and policyholders' benefits under insurance contracts	**(30 379)**	**(369)**	**853**	(20 767)	(510)	615
Acquisition costs associated with insurance contracts	**(3 687)**	**(63)**		(2 372)	(121)	
Profit share allocations	**(866)**			(306)		
Finance costs	**(266)**			(208)		
General marketing and administration expenses	**(4 779)**	**(61)**		(3 414)	(76)	
Expenses recovered from other group companies	**118**			81		
Taxation	**(1 792)**	**(4)**	**15**	(2 292)	6	(1)
Switches between investment with DPF and investment without DPF		**(786)**			3 213	
Net income from insurance operations	**(2 343)**	**(11)**	**39**	(2 432)	14	(4)
Changes in estimates	**(107)**		**(1)**	145		(1)
Planned margins and other variances	**(3 892)**	**(15)**	**55**	(3 539)	20	(4)
New business	**235**			(238)		
Shareholder taxation on transfer of net income	**1 421**	**4**	**(15)**	1 200	(6)	1
Balance at the end of the year	**194 377**	**8 632**	**(1 245)**	179 955	7 730	(1 120)
Current	**15 812**	**386**	**(212)**	15 231	389	(183)
Non-current	**178 565**	**8 246**	**(1 033)**	164 724	7 341	(937)

[(1)] *The company 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 right 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 company.*

17. Long-term policyholder liabilities and reinsurance assets (continued)

17.1 Process used to decide on assumptions and changes in assumptions

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract and class of business. Industry standard tables are used for smaller classes of business. Company specific tables, based on graduated industry standard tables modified to reflect the company specific experience, are used for larger classes. Investigations into mortality experience are performed every half year for the large classes of business and annually for all other classes of business. The period of investigation extends over at least the latest three full years. The results of the investigation are used to set the valuation assumptions, which are applied as an adjustment to the respective base table. In setting the assumptions, provision is made for expected AIDS-related claims. Allowance for AIDS related deaths is made in the base mortality rates at rates consistent with the requirements of APN 105 issued by the Actuarial Society of South Africa. The rates are defined using the appropriate Actuarial Society of South Africa models calibrated to reflect Liberty's assurance lives. For contracts insuring survivorship, an allowance is made for future mortality improvements based on expected future trends.

Morbidity

The incidence of disability claims is derived from the risk premium rates determined from annual investigations. The incidence rates are reviewed on an annual basis, based on medical claims experience. The adjusted rates reflect future expected experience.

Withdrawal

The withdrawal assumptions are based on the most recent withdrawal investigations taking into account past as well as expected future trends. The withdrawal investigations are performed every half year for the large lines of business and annually for the smaller classes and incorporate two years' experience. The withdrawal rates are analysed by product type and policy duration. These withdrawal rates vary considerably by duration, policy term and policy type. Typically the assumptions are higher for risk type products than for investment type products, and are higher at early durations.

Investment return

Future investment returns are set for the main asset classes as follows:

- Gilts – Effective 10-year yield curve rate at the balance sheet date 8,04% (2013: 8,14%).
- Equities – Gilt rate plus 3,5 percentage points as an adjustment for risk 11,54% (2013: 11,64%).
- Property – Gilt rate plus 1 percentage point as an adjustment for risk 9,04% (2013: 9,14%).
- Cash – Gilt rate less 1,5 percentage points 6,54% (2013: 6,64%).

The overall investment return for a block of business is based on the investment return assumptions allowing for the current mix of assets supporting the liabilities. The pre-taxation discount rate is set at the same rate. The rate averaged across the blocks of business (excluding annuity and guaranteed endowment business) is 10,0% per annum in 2014 (2013: 10,5% per annum). Where appropriate the investment return assumption is adjusted to make allowance for investment expenses, taxation and the relevant prescribed margins in accordance with SAP 104 issued by the Actuarial Society of South Africa.

For life annuity, disability in payment and guaranteed endowment business, discount rates are set at risk free rates consistent with the duration and type of the liabilities allowing for an average illiquidity premium on the backing assets and reduced by an allowance for investment expenses and the relevant prescribed margin.

Expenses

An expense analysis is performed on the actual expenses incurred in the calendar year preceding the balance sheet date. This analysis is used to calculate the acquisition costs incurred and to set the maintenance expense assumption which is based on the budget approved by the board.

Expense inflation

The inflation rate is set at 60% of the risk free rate (gilt rate) when the risk free rate is below 6.5%. The inflation rate is set at the risk free rate less 3% when the risk free rate is above 8.5%. At risk free rates between 6.5% and 8.5% the inflation rate is interpolated to ensure a smooth transition between the two methodologies. This results in a best estimate inflation assumption of 5.06% at 31 December 2014 (2013 : 5.15%). The expense inflation assumption is set taking into consideration the expected future development of the number of in force policies, as well as the expected future profile of maintenance expenses.

17. Long-term policyholder liabilities and reinsurance assets (continued)

17.1 Process used to decide on assumptions and changes in assumptions (continued)

Taxation

Future taxation and taxation relief are allowed for at the rates and on the bases applicable to section 29A, read with the eighth schedule, of the Income Tax Act at the balance sheet date. The company's current tax position is taken into account. Taxation rates consistent with that position, and the likely future changes in that position, are allowed for. In respect of capital gains taxation (CGT), taxation is allowed for at the full CGT rate. Deferred taxation liabilities include a provision for CGT on unrealised gains/(losses) at the valuation date, at the full undiscounted value. Allowance is also made for dividend withholding tax at the applicable rate.

Correlations

No correlations between assumptions are allowed for.

Contribution increases

In the valuation of the liabilities, voluntary premium increases that give rise to expected profits within product group portfolios are not allowed for. However, compulsory increases and increases that give rise to expected losses within product group portfolios are allowed for. This is consistent with the requirements of SAP 104

Embedded investment derivative assumptions

The assumptions used to value embedded derivatives in respect of policyholder contracts are set in accordance with APN 110. Account is taken of the yield curve at the valuation date. Both implied market volatility and historical volatility are taken into account when setting volatility assumptions. The 30 year annualised implied at-the-money volatility assumption, estimated using the economic scenario generator output for the FTSE/JSE Top 40 index, is 39.44% (2013: 35.85%). Correlations between asset classes are set based on historical data. Over sixteen thousand simulations are performed in calculating the liability.

Using the simulated investment returns the prices and implied volatilities of the following instruments are:

2014	Price	Volatility
A 1-year at-the-money (spot) put on the FTSE/JSE TOP 40 index	**5,75%**	**19,35%**
A 1-year put on the FTSE/JSE TOP 40 index, with a strike price equal to 80% of spot	**1,31%**	**23,24%**
A 1-year at-the-money (forward) put on the FTSE/JSE TOP 40 index	**7,25%**	**18,71%**
A 5-year at-the-money (spot) put on the FTSE/JSE TOP 40 index	**8,53%**	**23,82%**
A 5-year put on the FTSE/JSE TOP 40 index, with a strike price equal to $1,04^5$ of spot	**15,32%**	**22,28%**
A 5-year at-the-money (forward) put on the FTSE/JSE TOP 40 index	**17,04%**	**22,09%**
A 5-year put with a strike equal to $1,04^5$ of spot, on an underlying index constructed as 60% FTSE/JSE TOP 40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually	**7,00%**	**N/A**
A 20-year at-the-money (spot) put on the FTSE/JSE TOP 40 index	**3,58%**	**29,45%**
A 20-year put on the FTSE/JSE TOP 40 index, with a strike price equal to $1,04^{20}$ of spot	**15,61%**	**31,02%**
A 20-year at-the-money (forward) put on the FTSE/JSE TOP 40 index	**30,63%**	**32,05%**
A 20-year put option based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put option, which pays out if the 5-year interest rate at the time of maturity (in 20 years' time) is lower than the strike	**0,53%**	**N/A**

17. Long-term policyholder liabilities and reinsurance assets (continued)

17.1 Process used to decide on assumptions and changes in assumptions (continued)

Using the simulated investment returns, but based on two thousand simulations, the prices and implied volatilities of the following instruments are:

2013	Price	Volatility
A 1-year at-the-money (spot) put on the FTSE/JSE TOP 40 index	6,01%	18,91%
A 1-year put on the FTSE/JSE TOP 40 index, with a strike price equal to 80% of spot	1,49%	23,57%
A 1-year at-the-money (forward) put on the FTSE/JSE TOP 40 index	7,10%	18,34%
A 5-year at-the-money (spot) put on the FTSE/JSE TOP 40 index	8,76%	23,64%
A 5-year put on the FTSE/JSE TOP 40 index, with a strike price equal to $1{,}04^{5}$ of spot	15,40%	22,36%
A 5-year at-the-money (forward) put on the FTSE/JSE TOP 40 index	17,02%	22,14%
A 5-year put with a strike equal to $1{,}04^{5}$ of spot, on an underlying index constructed as 60% FTSE/JSETOP 40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually	6,66%	N/A
A 20-year at-the-money (spot) put on the FTSE/JSE TOP 40 index	2,67%	28,60%
A 20-year put on the FTSE/JSE TOP 40 index, with a strike price equal to $1{,}04^{20}$ of spot	12,26%	29,61%
A 20-year at-the-money (forward) put on the FTSE/JSE TOP 40 index	29,37%	30,51%
A 20-year put option based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put option, which pays out if the 5-year interest rate at the time of maturity (in 20 years' time) is lower than the strike	0,41%	N/A

The TOP 40 index above is a capital index whereas the ALBI is a total return index. "Spot" refers to the value of the index at market close at the relevant date. "At-the-money (spot)" means that the strike price of the option is equal to the current market value of the underlying. "At-the-money (forward)" means that the strike price of the option is equal to the market's expectation of the capital index at the maturity date of the option.

The zero coupon yield curve used in the projection is as follows (expressed in NACC):

Model output yield curve (%)	**2014**	2013
1 year	**6,41**	5,51
2 years	**6,77**	6,12
3 years	**7,02**	6,64
4 years	**7,21**	7,06
5 years	**7,37**	7,41
10 years	**8,05**	8,45
15 years	**8,64**	9,21
20 years	**8,74**	9,28
25 years	**8,46**	9,17
30 years	**8,22**	8,97
35 years	**8,26**	9,00
40 years	**8,29**	9,02
45 years	**8,21**	8,94
50 years	**8,12**	8,86

17. Long-term policyholder liabilities and reinsurance assets (continued)

17.2 Changes in assumptions

Group

Modelling and other changes were made to realign valuation assumptions with future experience. These changes resulted in a net decrease in policyholders liabilities of R107 million in 2014 compared to an increase of R216 million in 2013.

The primary items were:

- A change in the assumptions to allow for expected future withdrawals, resulting in a decrease in the liability of R121 million (2013: increase of R98 million).
- Future mortality and morbidity assumptions were adjusted to reflect expected future experience, amounting to a decrease in the liability of R72 million (2013: decrease of R6 million).
- A change in the economic valuation assumptions to realign these with expected future experience, resulting in a decrease in the liability of R15 million (2013: increase of R286 million).
- A change in the tax assumptions resulted in a decrease in liability of R4 million (2013: decrease of R16 million).
- The balance of modelling and other changes resulted in an increase in liabilities of R105 million (2013: decrease of R146 million).

Company

Modelling and other changes were made to realign valuation assumptions with future experience. These changes resulted in a net decrease in policyholders liabilities of R108 million in 2014 compared to an increase of R144 million in 2013.

The primary items were:

- A change in the assumptions to allow for expected future withdrawals, resulting in a decrease in the liability of R121 million (2013: increase of R96 million).
- Future mortality and morbidity assumptions were adjusted to reflect expected future experience, amounting to a decrease in the liability of R72 million (2013: decrease of R5 million).
- A change in the economic valuation assumptions to realign these with expected future experience, resulting in a decrease in the liability of R15 million (2013: increase of R187 million).
- A change in the tax assumptions resulted in a decrease in liability of R4 million (2013: decrease of R16 million).
- The balance of modelling and other changes resulted in an increase in liabilities of R104 million (2013: decrease of R118 million).

18. Long-term policyholders' liabilities under investment contracts

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Balance at the beginning of the year	**73 174**	67 297	**73 174**	73 795
Transfer of insurance business arising from the life license rationalisation				3 260
Cancellation of intergroup policies following life license rationalisation				(11 245)
Fund inflows from investment contracts (excluding switches)	**14 433**	13 211	**14 433**	14 010
Fair value adjustment	**7 382**	9 990	**7 382**	10 444
Fund outflows under investment contracts (excluding switches)	**(14 006)**	(13 193)	**(14 006)**	(12 989)
Switches between investment with DPF and investment without DPF	**786**	(3 213)	**786**	(3 213)
Service fee income	**(936)**	(918)	**(936)**	(888)
Balance at the end of the year	**80 833**	73 174	**80 833**	73 174
Current	**4 896**	4 792	**4 896**	4 792
Non-current	**75 937**	68 382	**75 937**	68 382
Net income from investment contracts[1]	**45**	(32)	**45**	(48)
Service fee income	**936**	918	**936**	888
Expenses				
Property expenses applied to investment returns	**348**	369	**348**	369
Shareholder taxation on transfer of net income	**(17)**	13	**(17)**	19
Acquisition costs	**(301)**	(239)	**(301)**	(238)
General marketing and administration expenses	**(836)**	(1 025)	**(836)**	(1 019)
Finance costs	**(85)**	(68)	**(85)**	(67)

[1] *Prior to deferred acquisition costs and deferred revenue adjustments.*

19. Financial liabilities at amortised cost

	Group and Company	
	2014 Rm	2013 Rm
Subordinated notes[3]	**3 570**	3 069
– 2012 August issue[1]	**1 026**	1 025
– 2012 October issue[1]	**1 015**	1 014
– 2013 August issue[1]	**1 030**	1 030
– 2014 December issue[1]	**499**	
Redeemable preference shares[2] [3]	**5**	5
Total financial liabilities at amortised cost	**3 575**	3 074
Current	**85**	84
Non-current	**3 490**	2 990
Movement analysis		
Balance at the beginning of the year	**3 074**	2 037
Interest accrued	**250**	191
Note issues	**500**	1 000
Preference shares issue		5
Capitalisation of note issue expenses	**(4)**	(6)
Repayments	**(245)**	(153)
Balance at the end of the year	**3 575**	3 074

(1) *On 13 August 2012, Liberty Group Limited issued a R1 billion subordinated note maturing on 13 August 2017. The note was issued at a fixed coupon of 7,67% payable semi-annually on 13 August and 13 February each year until 13 August 2017.*
On 3 October 2012, Liberty Group Limited issued a further R1 billion subordinated note maturing on 3 April 2018. The note was issued at a fixed coupon of 7,64% payable semi-annually on 3 April and 3 October each year until 3 April 2018.
On 14 August 2013, Liberty Group Limited issued a R1 billion subordinated note maturing on 14 August 2020. The note was issued at a fixed coupon of 9,165% payable semi-annually on 14 August and 14 February each year until 14 August 2020.
On 12 December 2014, Liberty Group Limited issued a R500 million subordinated note maturing on 12 December 2021. The note was issued at a floating coupon of 2,50% above 3-month JIBAR payable quarterly on 12 December, 12 March, 12 June and 12 September each year until December 2021.
The notes are callable by Liberty prior to maturity date if certain regulatory or taxation events occur.
The Financial Services Board approval of the above group issuances included a requirement to hold liquid assets in Liberty Group Limited so that sufficient liquidity is available to meet the note redemption and interest amounts when they are due. This requirement has been complied with during 2012. Redemptions on maturity date are subject to the approval of the Financial Services Board.

(2) *5 000 cumulative, participating non-convertible redeemable preference shares valued at R1 000 each were issued by the wholly owned subsidiary Liberty Group Limited during 2013. These preference shares are executionary in nature facilitating the payment of profit share amounts that accrue in terms of the bancassurance agreement with Standard Bank. The preference shares are redeemable as and when the bancassurance agreement is terminated.*

(3) *The fair value of the subordinated note which matures on 13 August 2017 is R999 million (2013: R1 004 million), the note which matures on 3 April 2018 is R980 million (2013: R979 million), the note which matures on 14 August 2020 is R1 020 million (2013: R 1 030 million) and for the note which matures on 12 December 2021 is R502 million. The fair value of the redeemable preference share is R5 million (2013: R5 million).*

20. Third party financial liabilities arising on consolidation of mutual funds

	Group	
	2014 Rm	2013 Rm
Movement analysis		
Balance at the beginning of the year	**461**	379
Additional mutual funds classified as subsidiaries	**1 257**	149
Repayments through withdrawal or change in effective ownership	**1 276**	(68)
Mutual funds no longer classified as subsidiaries		(86)
Distributions	**(260)**	(5)
Fair value adjustment	**336**	92
Balance at the end of the year	**3 070**	461

Certain mutual funds have been classified as investments in subsidiaries. Consequently fund interests not held by the group are classified as third party liabilities as they represent demand deposit liabilities measured at fair value. Maturity analysis is not possible as it is dependent on external unit holders' behaviour outside of Liberty's control.

Liberty's own credit risk is not applicable in the measurement of these liabilities as these liabilities are specifically referenced to assets and liabilities contained in a separate legal structure that could not be attached in the event of a group entity holding the controlling units defaulting.

21. Employee benefits

21.1 Summary

		Group		Company	
	Note	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Asset:					
Defined benefit pension fund employer surplus	21.5	**277**	210	**277**	210
Liabilities:					
Short-term employee benefits	21.2	**567**	565	**556**	557
Post-retirement medical aid benefit	21.6	**411**	366	**411**	366
Total liability		**978**	931	**967**	923

21. Employee benefits (continued)

21.2 Short-term employee benefits

	Group					
	Leave pay		Short-term incentive schemes		Total	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Balance at the beginning of the year	**76**	57	**489**	411	**565**	468
Disposals through business disposals				(3)		(3)
Additional provision raised	**110**	120	**420**	456	**530**	576
Utilised during the year	**(116)**	(101)	**(412)**	(375)	**(528)**	(476)
Balance at the end of the year	**70**	76	**497**	489	**567**	565

	Company					
	Leave pay		Short-term incentive schemes		Total	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Balance at the beginning of the year	**75**	37	**482**	402	**557**	439
Transfer of insurance business arising from life license rationalisation		33				33
Additional provision raised	**109**	83	**412**	449	**521**	532
Utilised during the year	**(115)**	(78)	**(407)**	(369)	**(522)**	(447)
Balance at the end of the year	**69**	75	**487**	482	**556**	557

All outflows in economic benefits in respect of short-term employee benefits are expected to occur within one year.

Leave pay

In terms of the group policy, employees are entitled to accumulate a maximum of 20 days compulsory leave and 20 days discretionary leave. Compulsory leave has to be taken within 18 months of earning it, failing which it is forfeited. Only discretionary leave can be sold back to the company.

Short-term incentive schemes (cash-settled)

All permanent employees are eligible to receive a short-term incentive bonus in terms of the various board approved short-term incentives schemes. These recognise both individual and financial performance (both of the respective business unit and group). Awards are approved by the remuneration committee and are subject to deferrals at certain levels. The non-deferred amounts are cash-settled.

Group

Accruals for the short-term cash incentive schemes as at 31 December 2014 comprise of R251 million (2013: R246 million) senior management and specialists group incentive scheme, R117 million (2013: R151 million) general staff incentive schemes and R128 million (2013: R92 million) investment professional schemes.

Company

Short-term cash incentive schemes as at 31 December 2014 comprise of R248 million (2013: R243 million) senior management and specialists group incentive scheme, R111 million (2013: R147 million) general staff incentive schemes and R128 million (2013: R92 million) investment professional schemes.

21. Employee benefits (continued)

21.3 Details of funds

The group operates the following retirement and post-retirement medical schemes for the benefit of its employees.

Defined benefit scheme:

Liberty Group Defined Benefit Pension Fund

The group and the company operate a funded defined benefit pension scheme in terms of section 1 of the Income Tax Act, 1962. With effect from 1 March 2001 the majority of employees accepted an offer to convert their retirement plans from defined benefit to defined contribution. Employees joining after 1 March 2001 automatically become members of the defined contribution schemes. The defined benefit pension scheme was closed to new employees from 1 March 2001. Employer companies contribute the total cost of benefits provided, taking into account the recommendation of the actuaries.

Defined contribution schemes:

Liberty Defined Contribution Pension Fund

Liberty Group Limited operates a funded defined contribution pension scheme in terms of section 1 of the Income Tax Act, 1962. The Liberty Defined Contribution Pension Fund offers a benefit to Liberty employees based on the accumulated contributions and investment returns at retirement.

Liberty Provident Fund

The Liberty Provident Fund offers a benefit to Liberty employees, based on the accumulated contributions and investment returns at retirement. The group contributes to the scheme for the benefit of employees in terms of the rules of the fund.

Liberty Agency Fund

The Liberty Agency Fund offers a benefit to the group's qualifying agents based on the accumulated contributions and investment returns at retirement. The employer makes a predetermined rate of contribution per month as stipulated in the rules of the fund.

Liberty Franchise Umbrella Fund

The Liberty Franchise Umbrella Fund offers a benefit to registered qualifying franchises, on the accumulated contributions and investment returns at retirement. The employer makes a predetermined rate of contribution per month as stipulated in the rules of the fund.

Capital Alliance Holdings (CAH) Defined Contribution Pension Fund

Capital Alliance Holdings Limited operates a funded defined contribution scheme in terms of section 1 of the Income Tax Act, 1962. The CAH defined contribution fund offers a benefit to Capital Alliance employees based on the accumulated contributions and investment returns at retirement.

There are a number of small employee retirement funds in the process of being liquidated. These funds are fully funded with total liabilities less than R10 million.

Post-retirement medical benefit

The company operates an unfunded post-retirement medical aid benefit for permanent employees who joined the company prior to 1 February 1999, and agency staff who joined the company prior to 1 March 2005. Medical aid costs are included in the profit or loss within general marketing and administration expenses in the period during which the employees render services to the company. For past service of employees the group recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis using the projected unit credit method.

21. Employee benefits (continued)

21.4 Retirement benefit obligation

	Liberty Group Defined Benefit Pension Fund				
	2014 Rm	2013 Rm	2012 Rm	2011 Rm	2010 Rm
Change in defined benefit funded obligation					
Present value of funded obligation at the beginning of the year	**1 265**	1 252	1 059	1 032	1 018
Service cost benefits earned during the year	**14**	16	15	13	13
Interest cost on projected benefit obligation	**120**	96	60	67	66
Actuarial (gain)/loss	**106**	(18)	211	49	27
Benefits paid	**(105)**	(81)	(93)	(102)	(92)
Present value of funded obligation at the end of the year	**1 400**	1 265	1 252	1 059	1 032
Change in plan assets					
Fair value of plan assets at the beginning of the year	**1 719**	1 541	1 367	1 342	1 280
Expected return on plan assets	**164**	120	117	118	117
Actuarial (loss)/ gain from return on plan assets	**(27)**	139	150	9	37
Employer contribution[(1)]	**14**	14	15	14	9
Reduction in employer surplus account[(1)]	**(14)**	(14)	(15)	(14)	(9)
Benefits paid	**(105)**	(81)	(93)	(102)	(92)
Fair value of plan assets at the end of the year[(2)]	**1 751**	1 719	1 541	1 367	1 342
Surplus	**351**	454	289	308	310
Effect of limiting net defined benefit asset to the asset ceiling	**74**	244	103	109	108
Net defined benefit asset	**277**	210	186	199	202

In the opinion of the pension fund valuator, after the most recent statutory actuarial valuation as at 1 January 2015, the Liberty Group Defined Benefit Pension Fund was financially sound.

(1) *The employer's best estimate of contributions expected to be paid to the Liberty Group Defined Pension Fund during 2015 is nil as it is anticipated the contributions will be funded from the employer portion of the surplus account. The Pensions Fund Act (Act) requires a statutory valuation every three years.*

(2) *The fair value of the plan assets for 2014 constitutes: 18,0% cash, 61,7% bonds, 12,5% equities, 7,7% international funds and 0,1% property (2013: 37,20% cash, 7,41% bonds, 35,06% equities, 20,16% international funds and 0,17% property).*

21. Employee benefits (continued)

21.4 Retirement benefit obligation (continued)

	Liberty Group Defined Benefit Pension Fund				
	2014 Rm	2013 Rm	2012 Rm	2011 Rm	2010 Rm
Change in defined benefit funded obligation (continued)					
Components of comprehensive income	**5**	(2)	2	4	2
Net interest on the net defined benefit asset	**19**	14	17	17	15
Current service cost	**(14)**	(16)	(15)	(13)	(13)
Components of other comprehensive income	**62**	26	(15)	(7)	30
Actuarial gains/(losses)	**(106)**	18	(211)	(49)	(27)
Demographic assumptions	**2**	(18)	(53)	(17)	(16)
Financial assumptions	**(39)**	36	(158)	(32)	(11)
Apportionment of surplus to member surplus account[1]	**(69)**				
Return on plan assets excluding interest cost and expected income on employer surplus	**(2)**	149	190	43	73
Change in the effect of the asset ceiling	**170**	(141)	6	(1)	(16)

21.5 Defined benefit pension fund employer surplus

	2014 Rm	2013 Rm	2012 Rm	2011 Rm	2010 Rm
Balance at the beginning of the year	**210**	186	199	202	170
Investment gains	**20**	38	47	15	30
Expected return	**20**	14	17	17	15
Variance to expected		24	30	(2)	15
Agreed contribution to member benefit enhancements	**(14)**	(14)	(15)	(31)	(9)
Expected contributions	**(14)**	(16)	(15)	(13)	(13)
Variance to expected		2		(18)	4
Apportionment of surplus/(deficit) in terms of section 15C of Pension Funds Act	**61**		(45)	13	11
Other actuarial gains/(losses)	**(109)**	141	(51)	14	27
Change in the effect of the asset ceiling	**170**	(141)	6	(1)	(16)
Balance at the end of the year	**277**	210	186	199	202
Current	**14**	14	15	14	9
Non-current	**263**	196	171	185	193

[1] *The latest actuarial valuation at 1 January 2015, indicated an apportionment of R69 million (as agreed with the trustees) to the member surplus account in accordance with Section 15C of the Act.*

21. Employee benefits (continued)
21.6 Post-retirement benefit medical aid obligation

	Liberty Group Defined Benefit Pension Fund				
	2014 Rm	2013 Rm	2012 Rm	2011 Rm	2010 Rm
Change in post-retirement medical aid benefit obligation					
Present value of unfunded obligation at the beginning of the year	**375**	371	459	400	354
Service cost benefits earned during the year	**8**	8	9	8	6
Interest cost on projected benefit obligation	**35**	30	40	34	34
Benefits paid	**(11)**	(10)	(10)	(9)	(8)
Actuarial (gain)/loss included in other comprehensive income	**16**	(24)	(127)	26	14
Present value of unfunded obligation at the end of the year	**423**	375	371	459	400
Net liability recognised in financial position	**411**	366	362	448	390
Current	**8**	8	10	9	8
Non-current	**403**	358	352	439	382

The liability obligation has been updated after the most recent statutory actuarial valuation as at 1 January 2015.

21. Employee benefits (continued)

21.7 Assumptions used in the valuation of obligations

The valuation was based on the following principal actuarial assumptions:		Liberty Group Defined Benefit Pension Fund 2014	Liberty Group Defined Benefit Pension Fund 2013	Post-Retirement Medical Aid Benefit 2014	Post-Retirement Medical Aid Benefit 2013
Anticipated after taxation returns on investments		**8,84%**	9,84%	Unfunded liability and therefore there is no asset-backing portfolio	
Discount rate		Nominal government bond curve		Nominal government bond curve	
Future salary increases (excluding increases on promotion)		Future salary increases based on inflation curve plus 1% p.a. to each point on the curve		Not applicable	
Medical cost trend rate (applicable to members who retired before 1 January 2013)		Not applicable		Inflation curve adjusted upwards by 1% p.a.	
Medical cost trend rate (applicable to members who retired after 1 January 2014)		Not applicable		Curve implied by the difference between a nominal government bond curve and an index linked gilt	
Mortality assumption	– pre-retirement	No pre-retirement mortality has been allowed for		Based on the PA(90) Tables for Pensioners (Ultimate Rates)	
	– post-retirement	Based on the PA(90) Tables for Pensioners (Ultimate Rates) less two years		Based on the PA(90) Tables for Pensioners (Ultimate Rates) less two years	
Retirement age	– executives	63		63	
	– others	60 or 65		60 or 65	

21.8 Sensitivity analysis

Shown in the table below are sensitivities of the value of the post-retirement medical aid to changes in the medical inflation rates without changes to the risk discount rate:

	Group and Company Decrease/(increase) in liability 2014 Rm	2013 Rm
Variable		
1% decrease in medical inflation rate		
– active members	**34**	29
– pensioners	**15**	13
1% increase in medical inflation rate		
– active members	**(42)**	(36)
– pensioners	**(18)**	(15)

21. Employee benefits (continued)

21.9 Transactions between group companies and the funds

21.9.1 The contributions which the group has made on behalf of the employees during the year are as follows:

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Retirement				
Defined benefit funds	**13**	11	**13**	9
Defined contribution funds	**239**	190	**239**	175
Medical				
Post-retirement medical benefit paid - pensioners	**10**	9	**10**	9

21.9.2 The Liberty Group Defined Benefit Pension Fund has various banking relationships with Standard Bank Group Limited and its subsidiaries. The summary of balances deposited and interest received are as follows:

	Group and Company			
	Balance deposited		Interest received	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
Balance at the beginning of the year	**55**	71		
Balance at the end of the year	**12**	55	**32**	14

21.9.3 Certain defined benefit funds have outsourced their management to Liberty Group Limited. The summary of fees paid is as follows:

	Group and Company	
	2014 R'000	2013 R'000
Liberty Group Defined Benefit Pension Fund	**466**	436

21.9.4 The Liberty Group Defined Pension Fund has investments in certain mutual fund subsidiaries and in Standard Bank Group Limited as follows:

	Group and Company	
	2014 Rm	2013 Rm
STANLIB Funds Limited	**107**	347
STANLIB Prudential Bond Fund		129
STANLIB Institutional Money Market Fund	**8**	32
Standard Bank bonds, deposits and money market investments	**4**	1

21. Employee benefits (continued)

21.9 Transactions between group companies and the funds (continued)

21.9.5 The following retirement benefit funds have insurance policies with Liberty Group Limited held as investment policies in the funds. A summary of the transactions for each policy with each fund follows:

	Group and Company	
	Fund value	
	2014	2013
	Rm	Rm
Liberty Defined Contribution Pension Fund		
Balance at the beginning of the year	**550**	367
Premiums	**55**	48
Transfers in from Capital Alliance Holdings Defined Contribution Pension Fund		103
Fair value adjustments	**60**	72
Withdrawals	**(66)**	(40)
Balance at the end of the year	**599**	550
Liberty Provident Fund		
Balance at the beginning of the year	**2 648**	2 261
Premiums	**275**	268
Fair value adjustments	**284**	380
Withdrawals	**(327)**	(261)
Balance at the end of the year	**2 880**	2 648
Liberty Agency Fund		
Balance at the beginning of the year	**1 156**	1 024
Premiums	**73**	61
Fair value adjustments	**119**	162
Withdrawals	**(75)**	(91)
Balance at the end of the year	**1 273**	1 156
Liberty Franchise Umbrella Fund		
Balance at the beginning of the year	**61**	46
Premiums	**10**	10
Fair value adjustments	**10**	7
Withdrawals	**(2)**	(2)
Balance at the end of the year	**79**	61
Capital Alliance Holdings Defined Contribution Pension Fund		
Balance at the beginning of the year	**94**	185
Fair value adjustments	**3**	15
Transfers out to Liberty Defined Contribution Pension Fund		(103)
Pensions Fund Act section 14[(1)] transfer	**(79)**	
Withdrawals	**(1)**	(3)
Balance at the end of the year	**17**	94

21.9.6 The various funds detailed above have contracted Liberty to manage the funds. The total of fees paid is as follows:

	Group and Company	
	2014	2013
	Rm	Rm
Administration and consulting fees	**15**	14

22. Deferred revenue

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Balance at the beginning of the year	**185**	166	**185**	163
Transfer of insurance business arising from life licence rationalisation				2
Released to profit or loss	**(22)**	(21)	**(22)**	(20)
Deferred income relating to new business	**44**	40	**44**	40
Balance at the end of the year	**207**	185	**207**	185
Current	**24**	22	**24**	22
Non-current	**183**	163	**183**	163

Deferred revenue relates to upfront fees received from investment management contract holders as a prepayment for asset management and related services. These amounts are non-refundable and released to income as the services are rendered.

23. Deferred taxation

	Group			
	Balance at the beginning of the year Rm	**(Provision)/ release for the year Rm**	**Transfer through intergroup transaction Rm**	**Balance at the end of the year Rm**
Normal taxation	(1 987)	**(228)**		**(2 215)**
Policyholder liabilities difference between statutory and accounting basis	(1 957)	**(224)**		**(2 181)**
Utilisation of tax losses and special transfers	111	**35**		**146**
Intangible assets – PVIF	(58)	**29**		**(29)**
Deferred acquisition costs	(144)	**(17)**		**(161)**
Deferred revenue liability	52	**6**		**58**
Provisions	9	**(57)**		**(48)**
Capital gains taxation	(1 436)	**(252)**	**(26)**	**(1 714)**
Total	(3 423)	**(480)**	**(26)**	**(3 929)**

23. Deferred taxation (continued)

	Company			
	Balance at the beginning of the year Rm	**(Provision)/ release for the year Rm**	**Transfer through intergroup transaction[1] Rm**	**Balance at the end of the year Rm**
Normal taxation	(2 077)	**(256)**		**(2 333)**
Policyholder liabilities difference between statutory and accounting basis	(1 934)	**(215)**		**(2 149)**
Intangible assets – PVIF	(58)	**29**		**(29)**
Deferred acquisition costs	(144)	**(17)**		**(161)**
Deferred revenue liability	52	**6**		**58**
Provisions	7	**(59)**		**(52)**
Capital gains taxation	(1 437)	**(253)**	**(26)**	**(1 716)**
Total	(3 514)	**(509)**	**(26)**	**(4 049)**

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Movement summary				
Balance at the beginning of the year	**(3 423)**	(2 602)	**(3 514)**	(2 215)
Transfer of insurance business arising from life licence rationalisation				(498)
Transfer of shareholder assets arising from life licence rationalisation				(12)
Disposal through business disposal		(5)		
Transfer through intergroup transaction[1]	**(26)**		**(26)**	
Foreign currency translation		1		
Charge through statement of comprehensive income	**(480)**	(817)	**(509)**	(789)
Balance at the end of the year	**(3 929)**	(3 423)	**(4 049)**	(3 514)
Deferred tax assets[2]				
Non-current	**135**	100		
Deferred tax liabilities				
Non-current	**(4 064)**	(3 523)	**(4 049)**	(3 514)

[1] *With effect from 12 December 2014 Liberty Group Limited acquired a number of financial investments form Liberty Holdings Limited totalling R302 million. A deferred capital gains taxation liability totalling R26 million was transferred to Liberty Group Limited, because the transaction is deemed intergroup for tax purposes with a corresponding base cost transfer.*

[2] *The deferred taxation amounts have consequently arisen from group entities incurring operational taxation losses. These assets are anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future.*

24. Deemed disposal taxation liability

	Group		Company	
	2014 **Rm**	2013 Rm	**2014** **Rm**	2013 Rm
Balance at the beginning of the year	**544**	918	**544**	861
Over provision released to profit or loss	**(17)**	(90)	**(17)**	(45)
Current balance to taxation liability	**(259)**	(284)	**(259)**	(272)
Balance at the end of the year	**268**	544	**268**	544

In accordance with the Taxation Laws Amendment Act, number 22, promulgated 1 February 2013, various investments held to back policyholder liabilities were, from a capital gains taxation perspective, deemed to be simultaneously disposed of and reacquired at market value on 29 February 2012.

The effect of this was the crystallisation of unrealised taxable gains and losses relating to these investments at the old capital gains taxation inclusion rate. The Act requires the resultant net taxable gain to be spread and included in equal amounts over four tax years commencing from the 2012 tax year.

The consequential taxation payable for the 2014 tax year of R 259 million for the group (2013: R284 million) and R259 million for the company (2013: R272 million) has been included in current taxation and the expected future tax obligation for the 2015 tax years of R268 million for the group (2013: R544 million) and R268 million for the company (2013: R544 million) has been accounted for and described as a deemed disposal taxation liability. The expected liability does not attract interest and has not been discounted to current values.

Subsequent realised gains and losses of the affected investments will attract the new capital taxation inclusion rates applicable from 1 March 2012.

25. Provisions

	Group and Company						
	Possible claims		Retirement fund administration		Restructuring	Total	
	2014 **Rm**	2013 Rm	**2014** **Rm**	2013 Rm	2013 Rm	**2014** **Rm**	2013 Rm
Balance at the beginning of the year	**134**	192	**61**	127	19	**195**	338
Provisions no longer required	**60**	(55)				**60**	(57)
Provision raised	**(34)**				(2)	**(34)**	
Unwinding of discount rate			**2**	5		**2**	5
Utilised during the year	**(16)**	(3)	**(34)**	(71)	(17)	**(50)**	(91)
Balance at the end of the year	**144**	134	**29**	61		**173**	195

Possible claims

In the conduct of its ordinary course of business, the group is exposed to various actual and potential claims and other proceedings relating to administration delays, alleged errors and omissions. Due to the nature of the provision, the timing of the expected cash flows is uncertain but likely to be within the next two years

Retirement fund administration

In prior years Liberty was appointed as an administrator to various retirement funds which, for a number of unrelated reasons, are now in the process of being liquidated or deregistered. A review of the status of these funds concluded that there is insufficient future potential fee income to cover the expected costs of liquidation or deregistration. In light of Liberty's association with the funds, the group has undertaken a specific project which commenced in 2009 to conclude the necessary formal procedures relating to these funds. During 2011 the project scope was extended to include conversion of administratively uneconomic stand alone funds to umbrella structures. The provision reflects the best estimate of the current value of future costs less fund recoveries. It is likely this project will be completed within two years.

Restructuring

In the second half of 2012 the board approved a project to rationalise on the group's registered South African life licenses. The rationalisation project was completed in 2013.

26. Insurance and other payables

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Current balances related to insurance contracts	**5 157**	4 919	**5 140**	4 912
Outstanding claims and surrenders	**4 502**	4 237	**4 485**	4 230
Commission creditors	**285**	301	**285**	301
Premiums received in advance	**370**	381	**370**	381
Current balances related to investment contracts	**93**	92	**93**	92
Total current balances related to insurance and investment contracts	**5 250**	5 011	**5 233**	5 004
Total other payables	**7 984**	3 474	**7 481**	3 170
Sundry payables	**1 155**	1 251	**1 011**	1 082
Consolidated mutual funds payables	**306**	77		
Property consortiums payables	**53**	58		
Preference share dividend	**827**	815	**827**	815
Investment creditors	**5 643**	1 273	**5 643**	1 273
Total insurance and other payables	**13 234**	8 485	**12 714**	8 174
Current	**12 636**	8 435	**12 116**	8 127
Non-current	**598**	50	**598**	47

27. Share capital

	Group and Company	
	2014 Rm	2013 Rm
Authorised share capital		
400 000 000 ordinary shares of 10 cents each	**40**	40
Issued share capital		
288 956 191 ordinary shares of 10 cents each	**29**	29
Total issued share capital	**29**	29

28. Premiums

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Insurance premiums	**39 760**	34 182	**39 708**	26 023
Long-term	**39 760**	33 849	**39 708**	26 023
Short-term		333		
Reinsurance premiums	**(918)**	(1 013)	**(905)**	(754)
Long-term	**(918)**	(926)	**(905)**	(754)
Short-term		(87)		
Net insurance premiums	**38 842**	33 169	**38 803**	25 269
Fund inflows from investment contracts	**14 433**	13 211	**14 433**	14 010
Net premium income from insurance contracts and inflows from investment contracts	**53 275**	46 380	**53 236**	39 279
Long-term insurance	**53 275**	46 134	**53 236**	39 279
Retail	**31 377**	28 597	**31 339**	22 544
Corporate	**14 271**	10 820	**14 271**	10 021
Immediate annuities	**7 627**	6 717	**7 626**	6 714
Short-term insurance				
Medical risk		246		
Comprising:				
Recurring	**25 817**	24 709	**25 779**	18 958
Retail	**18 546**	17 261	**18 508**	12 531
Corporate	**7 271**	7 202	**7 271**	6 427
Medical risk		246		
Single	**27 458**	21 671	**27 457**	20 321
Retail	**12 831**	11 336	**12 831**	10 013
Corporate	**7 000**	3 618	**7 000**	3 594
Immediate annuities	**7 627**	6 717	**7 626**	6 714
Net premium income from insurance contracts and inflows from investment contracts	**53 275**	46 380	**53 236**	39 279

29. Service fee income from policyholder investment contracts

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Service fee income from investment contracts	**936**	918	**936**	888
Released to profit or loss	**22**	21	**22**	20
Deferred income relating to new business	**(44)**	(40)	**(44)**	(40)
Total service fee income from policyholder investment contracts	**914**	899	**914**	868

30. Investment income

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Financial assets held at fair value through profit or loss				
Interest income	**7 635**	5 954	**7 100**	4 614
Dividends received	**3 292**	2 428	**3 292**	2 196
Listed shares	**2 328**	1 966	**2 328**	1 785
Unlisted instruments	**813**	462	**813**	411
Manufactured dividends on scrip lending	**151**		**151**	
Investment properties				
Rental income from investment properties	**2 100**	2 200	**1 046**	1 084
Financial instruments held-to-maturity				
Interest income	**89**	82	**89**	40
Subsidiaries				
Dividends[1]				2 530
Scrip lending fees	**8**		**8**	
Sundry income	**33**	48	**24**	45
Investment return on defined benefit pension fund surplus	**20**	14	**20**	14
Total investment income	**13 177**	10 726	**11 579**	10 523
[1]Dividends received from subsidiaries:				
Capital Alliance Life Limited				1 829
Liberty Active Limited				699
Total Health Trust Limited (Nigeria)				2
Total				2 530

31. Investment gains

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
Investment properties	**1 159**	2 510	**1 046**	2 233
Financial instruments held at fair value through profit or loss	**17 007**	26 885	**17 120**	25 700
Quoted instruments	**14 498**	23 817	**14 512**	22 531
Unquoted instruments	**2 608**	3 027	**2 608**	3 169
Consolidated mutual funds to the group	**(99)**	41		
Financial instruments held for trading	**(1 079)**	(2 581)	**(1 078)**	(1 716)
Impairment raised on subsidiary companies			**(344)**	(1 447)
Foreign exchange differences on loans with subsidiaries	**(9)**	5	**(9)**	(11)
Joint ventures – measured at fair value	**3**	26	**3**	26
Total investment gains	**17 081**	26 845	**16 738**	24 785

32. Fee revenue and reinsurance commission

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
Management fees on assets under management	**21**	12		
Health administration fees		18		
Other fee revenue	**84**	65	**118**	81
Total fee revenue and reinsurance commission	**105**	95	**118**	81

33. Claims and policyholder benefits

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Claims and policyholders' benefits under insurance contracts	**31 559**	24 606	**31 534**	18 064
Long-term	**31 559**	24 374	**31 534**	18 064
Short-term		232		
Payments under investment contracts	**13 220**	16 406	**13 220**	16 202
	44 779	41 012	**44 754**	34 266
Insurance claims recovered from re-insurers	**(863)**	(805)	**(853)**	(615)
Long-term	**(863)**	(740)	**(853)**	(615)
Short-term		(65)		
Net claims and policyholders' benefits	**43 916**	40 207	**43 901**	33 651
Comprising:				
Long-term insurance: Retail	**33 084**	29 175	**33 069**	23 531
Death and disability claims	**5 583**	4 850	**5 571**	4 001
Policy maturity claims	**4 389**	4 852	**4 389**	3 346
Policy surrender claims	**18 496**	15 348	**18 496**	12 428
Annuity payments	**4 616**	4 125	**4 613**	3 756
Long-term insurance: Corporate	**10 832**	10 865	**10 832**	10 120
Death and disability claims	**1 673**	1 625	**1 673**	998
Scheme terminations and member withdrawals	**8 759**	8 885	**8 760**	8 768
Annuity payments	**400**	355	**399**	354
Short-term insurance				
Medical risk		167		
Total claims and policyholders' benefits	**43 916**	40 207	**43 901**	33 651

34. Acquisition costs

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Long-term insurance[(1)]	**4 016**	3 690	**3 992**	2 656
Insurance contracts	**3 774**	3 525	**3 750**	2 493
Investment contracts	**242**	165	**242**	163
Short-term insurance		6		
Asset management and other	**40**	29		
Total acquisition costs	**4 056**	3 725	**3 992**	2 656
Incurred during the year	**4 115**	3 799	**4 051**	2 731
Deferred acquisition costs	**(294)**	(293)	**(294)**	(293)
Amortisation and impairment of deferred acquisition costs	**235**	219	**235**	218

(1) *Included in the long-term insurance acquisition costs are sales management incentive costs of R64 million (2013: R51 million).*

35. General marketing and administration expenses

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Comprising				
Employee costs	**2 316**	2 282	**2 252**	1 812
Office costs	**1 715**	1 633	**1 638**	1 174
Training and development costs	**422**	333	**408**	209
Other	**2 138**	2 231	**1 722**	1 553
Total general marketing and administration expenses	**6 591**	6 479	**6 020**	4 748
General marketing and administration expenses include the following:				
Amortisation of intangible assets	**121**	127	**121**	46
Impairment of intangible assets				
Auditors' remuneration	**31**	31	**29**	28
Audit fees – Current year	**28**	31	**26**	28
Other services	**3**		**3**	
Consulting fees	**309**	385	**353**	303
Depreciation	**198**	213	**196**	197
Computer equipment	**90**	86	**89**	83
Purchased computer software	**19**	15	**26**	16
Fixtures, furniture and fittings	**70**	91	**62**	80
Office equipment and office machines	**8**	8	**8**	7
Motor vehicles	**11**	13	**11**	11
Direct operating expenses – on investment properties	**631**	627	**576**	585
– on owner-occupied properties	**47**	45	**47**	45
– on hotel operations	**494**	567	**385**	463
Asset management fees	**509**	453	**509**	401
Operating lease charges – equipment	**4**	1	**4**	1
– property	**65**	89	**58**	60
Other related South African taxes	**414**	386	**410**	278
Financial services levy	**27**	27	**26**	23
Non-recoverable value-added taxation	**387**	359	**384**	255
Provision for restructuring		(2)		(2)
Staff costs	**2 316**	2 282	**2 252**	1 812
Salaries and wages	**1 597**	1 433	**1 548**	1 066
Defined benefit pension fund contributions	**11**	11	**11**	9
Medical aid contributions	**103**	100	**103**	85
Staff and management incentives	**356**	405	**348**	372
Share-based payment expense – equity-settled schemes	**84**	69	**84**	69
– cash-settled schemes	**10**	19	**10**	19
Other post-retirement benefits	**115**	103	**115**	80
Other	**40**	142	**33**	112

36. Share-based payments

36.1 Equity-settled remuneration schemes

	Group	
	2014	2013
	Rm	Rm
Reconciliation of reserve		
Restricted share plan		
Liberty Holdings Limited ordinary shares	**106**	78
Total share-based payments reserve	**106**[(1)]	78
Movement for the year	**28**	52
Equity-settled schemes (share options and rights) – per profit or loss	**8**	16
Restricted share plan – per profit or loss	**76**	53
Reserved in Liberty Holdings Limited	**(8)**	(16)
Transfer of vested options to retained surplus	**(48)**	(1)

(1) *Company reserve balance is R104 million (2013: R78 million).*

The group has various equity-settled remuneration schemes which can be summarised into two categories:

- Rights awarded under equity growth schemes; and
- Restricted shares awarded under deferred and long-term schemes.

Effect of Liberty Group Limited Scheme of Arrangement on share option and right schemes
In terms of Liberty Group Limited's scheme of arrangement in 2008, Liberty Holdings Limited has assumed with effect from 1 December 2008 Liberty Group Limited's share option and rights schemes.

Liberty Holdings Limited
The Liberty Holdings Limited group has a number of share incentive schemes, which entitles key management personnel and senior employees to purchase Liberty Holdings Limited shares. These share incentive schemes are, the Liberty Group Share Incentive Scheme, the Liberty Life Equity Growth Scheme, the Liberty Equity Growth Scheme and the Restricted Share Plans. The Liberty Life Equity Growth Scheme and the Liberty Equity Growth Scheme confers rights to employees to acquire Liberty Holdings Limited ordinary shares equivalent to the value of the right at date of exercise. The group is required to ensure that employee's tax arising from benefits due in terms of the scheme is paid in accordance with the Fourth Schedule of the Income Tax Act of South Africa. Where employees have not exercised at vesting date and elect not to fund the tax from their own resources the tax due is treated as a diminution of the gross benefits due under the scheme.

During 2012, Liberty introduced the Liberty Holdings group restricted share plan which has two methods of participation, as detailed below:

Liberty Holdings group restricted share plan (long-term plan)
Awards are made to certain selected executives in the format of fully paid-up shares in Liberty Holdings Limited which are held in trust subject to vesting conditions (service and performance) and will be forfeited if these conditions are not met during the performance measurement period.

Liberty Holdings group restricted share plan (deferred plan)
Annual short-term incentive performance bonus payments in excess of thresholds determined annually by Liberty's remuneration committee, are subject to mandatory referral. This is achieved by investing the deferred portions of the short-term incentive awards into Liberty Holdings Limited shares, which are held in a trust, subject to vesting conditions.

36. Share-based payments (continued)

36.1 Equity-settled remuneration schemes (continued)

Participants under both plans are entitled to receive dividends. As the dividends are already priced into the fair value of the shares on grant date, any receipt of dividends to participants is accounted for as a reduction in the share-based payments reserve held at Liberty Holdings Limited. No voting rights are attached to the shares held in trust.

All of the above mentioned schemes are classified as equity-settled share option plans in accordance with the requirements of IFRS 2. In accordance with the 2008 scheme of arrangement, the share-based payments reserve for the equity growth scheme is now accounted for in Liberty Holdings Limited and the applicable expenses recovered from the relevant company. The Liberty Group Limited reserve relating to previous option/right issues has been fully transferred to retained surplus.

Summary of movements under equity settled remuneration schemes

Liberty Group Share Incentive Scheme, Liberty Life Equity Growth Scheme and Liberty Equity Growth Scheme

Movement summary	Price range 2014	Number 2014	Price range 2013	Number 2013
Options/rights outstanding at the beginning of the year		**8 463 847**		11 406 402
Granted	**R123,39**	**29 738**		
Exercised	**R50,65 – R95,50**	**(2 946 954)**	R46,15 – R95,50	(2 600 161)
Cancellations and lapses	**R62,08 – R85,97**	**(372 670)**	R60,00 – R80,25	(342 394)
Rights outstanding at the end of the year[1]		**5 173 961**		8 463 847

[1] *As at 31 December 2014, there are no remaining unexercised options under the Liberty Group Share Incentive Scheme.*

50% of the options/rights vest in year three, thereafter 25% in year four and five. Typically, the employee must remain in the employment of the company in order to exercise options/rights. A modified binominal tree model was used in order to value the share rights. The fair value of the share rights granted in 2014 was R38,61, (no rights were granted in 2013) using the following assumptions:

	2014
Exercise price	**R 123,39**
Expected volatility[2]	**27,91%**
Option life	**5 years**
Dividend yield	**4,71%**

Share-based payment expense recognised during 2014 relating to the share options and rights was R8 million (2013: R16 million) for the group and company.

[2] *Expected volatility is determined separately for each tranche of options issued. The expected volatility is based on the annualised historic volatility of the share price for 10 years before the grant date. The volatility is calculated using daily price movements on trading days. The range disclosed shows the minimum and maximum volatility over all tranches issued during the year.*

The weighted average Liberty Holdings Limited share price for the year was R125,61 (2013: R119,39).

36. Share-based payments (continued)

36.1 Equity-settled remuneration schemes (continued)

Liberty Holdings group restricted share plan (long-term plan)

Movement summary	Price range 2014	Number 2014	Price range 2013	Number 2013
Shares outstanding at the beginning of the year		**1 049 280**		652 312
Granted	**R119,18 – R131,24**	**645 141**	R115,00 – R126,01	477 023
Vested	**R87,90 – R99,10**	**(183 405)**		
Cancellations	**R87,90 – R123,39**	**(68 603)**	R87,90 – R121,02	(80 055)
Shares outstanding at the end of the year		**1 442 413**		1 049 280

For the long-term plan, awards granted prior to 28 February 2013 vest 33⅓% at the end of the year 2, 3 and 4 respectively, while awards granted subsequently vest 33⅓% at the end of year 3, 4 and 5 respectively. The restricted shares are subject to service and performance conditions. The share-based payment expense recognised during 2014 relating to the Liberty restricted share plan (long-term plan) was R40 million (2013: R26 million).

Liberty Holdings group restricted plan (deferred plan)

Movement summary	Price range 2014	Number 2014	Price range 2013	Number 2013
Shares outstanding at the beginning of the year		**562 495**		332 617
Granted	**R123,39**	**354 697**	R121,02	370 259
Vested	**R87,90 – R121,02**	**(211 090)**	R87,90	(98 544)
Cancellations	**R87,90 – R123,39**	**(37 230)**	R87,90 – R121,02	(41 837)
Shares outstanding at the end of the year		**668 872**		562 495

For the deferred plan, the 2011 awards vest 33⅓% at the end of 18 months, 30 months and 42 months respectively.

The share-based payment expense recognised during 2014 relating to the Liberty restricted share plan (deferred plan) was R36 million (2013: R27 million).

36.2 Cash-settled remuneration schemes

Phantom share scheme

Liberty Group Limited reduced its capital by approximately R1 billion, or R3,60 per share, which was paid out to shareholders on 12 June 2006 from the share premium account.

Share option/right holders are not entitled to receive dividends on their share options/rights and therefore each employee who had outstanding share options/rights at that date received a participation right in a phantom share scheme to compensate for the economic opportunity cost applicable to the capital no longer available. The number of phantom rights were calculated as the number of share options/rights outstanding multiplied by R3,60, divided by the average Liberty Group Limited share price over five days starting 5 June 2006 (R73,81 per share). The vesting dates of these rights have been matched to the share options/rights in respect of which they were granted, with the earliest date being 11 August 2006, and can be exercised at the option of the employee over a maximum of a 12-year period from 12 June 2006. On exercise the group will compensate the employee in cash for the difference between strike price and the market price of a Liberty Holdings Limited share at the date of exercise. The phantom share scheme qualifies as a cash-settled scheme, as the group incurs a cash liability to the employee based on the price of Liberty Holdings Limited's shares. The expense recognised during 2014 was nil (2013: R1 million which was charged to profit or loss.)

Reconciliation of participation rights under phantom share scheme	Number 2014	Number 2013
Options outstanding at the beginning of the year	**51 045**	120 087
Exercised	**(20 998)**	(69 042)
Participation rights outstanding at the end of the year	**30 047**	51 045

36. Share-based payments (continued)

36.2 Cash-settled remuneration schemes (continued)

Agents Share Units Rights scheme

The Agents Share Units Rights scheme was introduced in 2014 where rights are allocated to qualifying agents who achieve a pre-determined production status, the value of which is linked directly to Liberty Holdings Limited share price. Given the continued service of the agents, the unit values are settled in cash 33 1/3% after years 2,3 and 4 respectively. The cash distribution will be calculated with reference to the closing share price at the date of vesting. Participants receive a cash dividend as and when a Liberty Holdings Limited dividend is declared. The Agents Share Units Rights scheme qualifies as a cash-settled share based payments scheme and a liability is recognised as the agents render their service to the group. .

The first allocation for this scheme was made on 31 March 2014 to a total of 147 participants, with a total of 48536.20 awards at a unit price of R124.35.

There were no changes to the total number of outstanding awards as at 31 December 2014.

R1 million was expensed in 2014, with an equivalent value being included in trade and other payables.

37. Finance costs

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Interest expense:				
– interest paid on policyholder claims and supplier balances	**38**	34	**38**	32
– interest on financial liabilities at amortised cost	**250**	191	**250**	191
– interest paid on repurchase agreements	**63**	52	**63**	52
Total finance costs	**351**	277	**351**	275

38. Taxation

38.1 Sources of taxation

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
South African normal taxation	**922**	1 668	**1 034**	1 324
Current year taxation	**1 069**	1 478	**1 064**	1 115
Over provision prior year current taxation	**(375)**	(8)	**(286)**	
Current deferred taxation	**228**	198	**256**	209
South African capital gains taxation	**595**	865	**596**	858
Current year taxation	**360**	348	**360**	338
Deemed disposal taxation liability		(90)		(45)
Over provision prior year	**(17)**	(15)	**(17)**	(15)
Deferred taxation	**252**	622	**253**	580
Foreign normal taxation		11		
Current year taxation		14		
Current year deferred taxation		(3)		
Dividend withholding taxation associated with policyholder investments	**150**	122	**150**	108
Total taxation	**1 667**	2 666	**1 780**	2 290
Profit or loss	**1 667**	2 694	**1 780**	2 318
Other comprehensive income		(28)		(28)

38. Taxation (continued)
38.2 Taxation rate reconciliation

	Group		
	CIT[1] Rm	CGT[2][3] Rm	Total Rm
2014			
Taxation per profit or loss	**1 076**	**591**	**1 667**
Taxation specific to policyholder tax funds[4]	**92**	**(463)**	**(371)**
Shareholder taxation	**1 168**	**128**	**1 296**
Profit before taxation per statement of comprehensive income	**4 733**	**625**	**5 358**
Preference dividends paid	**855**		**855**
Adjustment for the revenue offset to policyholder taxation	**(371)**		**(371)**
Total	**5 217**	**625**	**5 842**
	%	**%**	
Effective rate of shareholder taxation[4]	**22,4**	**20,48**	
Adjustments due to:			
Income exempt from normal taxation	**3,4**		
Non-tax deductible expenses	**(1,0)**		
Special allowances and inclusions	**0,1**		
Amounts excluded from capital gains tax		**(1,82)**	
Over provision of taxes in respect of prior years	**3,1**		
Standard rate of South African taxation	**28,0**	**18,66**	
2013			
Taxation per profit or loss	1 831	863	2 694
Taxation specific to policyholder tax funds[4]	(354)	(758)	(1 112)
Shareholder taxation	1 477	105	1 582
Profit before taxation per statement of comprehensive income	5 671	1 060	6 731
Preference dividends paid	840		840
Adjustment for the revenue offset to policyholder taxation	(1 112)		(1 112)
Total	5 399	1 060	6 459
	%	%[5]	
Effective rate of shareholder taxation[4]	27,4	9,91	
Adjustments due to:			
Income exempt from normal taxation	1,0		
Non-tax deductible expenses	(0,2)		
Amounts disregarded from capital gains tax		9,41	
Special allowances and inclusions	(0,1)		
Base cost difference to historical cost		(6,16)	
Over provision of taxes in respect of prior years		5,50	
Equity accounted earnings from joint ventures	(0,1)		
Standard rate of South African taxation	28,0	18,66	

38. Taxation (continued)

38.2 Taxation rate reconciliation (continued)

	Company		
	CIT[1] Rm	CGT[2][3] Rm	Total Rm
2014			
Taxation per profit or loss	**1 190**	**590**	**1 780**
Taxation specific to policyholder tax funds[4]	**92**	**(463)**	**(371)**
Shareholder taxation	**1 282**	**127**	**1 409**
Profit before taxation per statement of comprehensive income	**4 518**	**281**	**4 799**
Preference dividends paid	**855**		**855**
Adjustment for the revenue offset to policyholder taxation	**(371)**		**(371)**
Total	**5 002**	**281**	**5 283**
	%	**%**	
Effective rate of shareholder taxation[4]	**25,6**	**45,20**	
Adjustments due to:			
Income exempt from normal taxation	**1,6**		
Non-tax deductible expenses	**(0,6)**		
Amounts excluded from capital gains tax		**(26,54)**	
Special allowances and inclusions	**(0,1)**		
Over provision of taxes in respect of prior years	**1,4**		
Standard rate of South African taxation	**28,0**	**18,66**	
2013			
Taxation per profit or loss	1 462	856	2 318
Taxation specific to policyholder tax funds[4]	(337)	(755)	(1 092)
Shareholder taxation	1 125	101	1 226
Profit before taxation per statement of comprehensive income	7 375	(876)	6 499
Preference dividends paid	306		306
Adjustment for the revenue offset to policyholder taxation	(1 092)		(1 092)
Total	6 589	(876)	5 713
	%	%[5]	
Effective rate of shareholder taxation[4]	17,1	(11,53)	
Adjustments due to:			
Income exempt from normal taxation	11,3		
Non-tax deductible expenses	(0,2)		
Amounts disregarded from capital gains tax		30,98	
Special allowances and inclusions	(0,1)		
Base cost difference to historical cost		(7,78)	
Over provision of taxes in respect of prior years		6,99	
Equity accounted earnings from joint ventures	(0,1)		
Standard rate of South African taxation	28,0	18,66	

(1) *CIT represents corporate income taxation.*

(2) *Capital gains taxation arising on the possible disposal of subsidiaries or business units will only be provided for when a firm intention to sell has been mandated by the directors of the company.*

(3) *CGT represents capital gains taxation which is an effective tax on defined capital gains in South Africa.*

(4) *Policyholder taxation funds are separate taxation persons which have differing taxation rules applied in the South African taxation legislation There are three separate funds, defined as untaxed, individual and corporate. As these funds and related taxes are in essence direct taxes against investments held on behalf of policyholders (not shareholders), it is not considered necessary to reconcile effective rates by fund.*

(5) *Restated.*

39. Business acquisitions and disposals

39.1 Summary of life licence rationalisation transaction

In order to drive efficiencies, as well as consideration of the requirements of the proposed new Solvency Assessment Management (SAM) legislation, a review of the Liberty group's South African life company structure was performed.

Based on the review and managements recommendations, the respective Boards of Liberty Group Limited and affected subsidiaries resolved to combine the businesses of the following South African life licences; Liberty Group Limited, Liberty Active Limited, Capital Alliance Life Limited and Liberty Growth Limited.

With all the Financial Services Board's (FSB) conditions being met and following the High Court approval for the transaction on 27 August 2013, all business in Liberty Active Limited, Capital Alliance Life Limited and Liberty Growth Limited has been transferred to Liberty Group Limited in terms of section 37 of the Long-term Insurance Act with effect from 1 September 2013.

The FSB announced in the Government Gazette on 6 December 2013 that under section 13(3)(a) of the Long-term Insurance Act that the registrations of the respective life licences as long-term insurers had been cancelled with effect from 31 August 2013.

Following the life licence rationalisation transaction, the present value of in-force policyholder contracts (pvif) intangible assets and related deferred taxes, that previously arose on consolidation of these subsidiaries, were capitalised in Liberty Group Limited. These intangible assets and deferred taxation liabilities were raised as a reduction in the investment in subsidiary in respect of those relating to Capital Alliance Life Limited acquired business, and transferred via loan account in respect of those relating to Liberty Growth Limited.

The assets and liabilities arising from the transaction are as follows:

	Liberty Active Limited 2013 Rm	Liberty Growth Limited 2013 Rm	Capital Alliance Life Limited 2013 Rm	PVIF capitalised (previously arising on consolidation) 2013 Rm	Total 2013 Rm
Intangible assets		1		242	243
Deferred acquisition costs	1				1
Reinsurance assets	2		500		502
Derivative assets	420	1	46		467
Financial investments	29 552	2 080	17 347		48 979
Prepayments, insurance and other receivables	440	10	163		613
Long-term policyholder liabilities	(29 479)	(1 766)	(16 629)		(47 874)
Insurance contracts	(27 330)	(1 729)	(15 555)		(44 614)
Financial liabilities under investment contracts	(2 149)	(37)	(1 074)		(3 260)
Employee benefits	(26)		(7)		(33)
Deferred revenue	(1)	(1)			(2)
Deferred taxation liabilities	(162)	(30)	(238)	(68)	(498)
Derivative liabilities	(465)	(3)	(124)		(592)
Insurance and other payables	(1 066)	(25)	(601)		(1 692)
Intergroup loan arising from transaction[1]	(1 445)	(218)	(485)		(2 148)
Intergroup loan arising from recognition of intangible asset				(5)	(5)
Net assets and liabilities assumed	(2 229)	49	(28)	169	(2 039)
Settled via reduction in investment in subsidiaries				(169)	(169)
Cash acquired	2 548	16	494		3 058
Excess purchase price accounted for directly in equity	319	65	466		850

[1] *These loans have subsequently been settled via capital reductions and dividends in specie declarations from the subsidiary companies to Liberty Group Limited (refer to note 8).*

39. Business acquisitions and disposals (continued)

39.2 Disposal of African subsidiaries

Effective 31 December 2013, Liberty Group Limited disposed of the following subsidiaries to Liberty Holdings Limited: Liberty Life Swaziland Limited, Standard Insurance Limited (Swaziland), Liberty Life Uganda Assurance Limited and Total Health Trust Limited.

Based on the review and managements recommendations, the respective Boards of Liberty Group Limited and affected subsidiaries resolved to combine the businesses of the following South African life licences; Liberty Group Limited, Liberty Active Limited, Capital Alliance Life Limited and Liberty Growth Limited.

These subsidiaries were disposed of at book value (cost less impairment provision) and as these are disposed of to the holding company, the transaction is therefore defined as a common control transaction. In terms of the group's accounting policies, the shortfall received over the net carrying value was accounted for directly in equity.

The assets and liabilities disposed of are as follows:

	Liberty Life Swaziland Limited 2013 Rm	Standard Insurance Limited 2013 Rm	Liberty Life Uganda Limited 2013 Rm	Total Health Trust Limited 2013 Rm	Total 2013 Rm
Equipment and owner-occupied properties under development	1		5	11	17
Investment properties				20	20
Intangible assets				31	31
Reinsurance assets	5		3		8
Financial investments	53		76	1	130
Deferred taxation asset			4	1	5
Prepayments, insurance and other receivables	2	3	13		18
Cash	4		22	101	127
Long-term policyholder liabilities	(22)		(42)		(64)
Insurance contracts	(22)		(22)		(44)
Investment contracts with discretionary participation features			(20)		(20)
Short-term insurance liabilities				(55)	(55)
Employee benefits	(1)		(2)		(3)
Insurance and other payables	(9)		(15)	(11)	(35)
Current taxation	(2)			(7)	(9)
Net assets and liabilities disposed of	31	3	64	92	190
Cash proceeds received	(10)	(3)	(5)	(34)	(52)
Excess purchase price accounted for directly in equity	21		59	58	138
Attributable to:					
Equity shareholders	21		27	13	61
Non-controlling interests			32	45	77

40. Reconciliation of total earnings to cash generated from operations

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Total earnings	**3 691**	4 037	**3 019**	4 181
Adjustments for:				
Interest received	**(7 724)**	(6 036)	**(7 189)**	(4 654)
Interest paid	**351**	277	**351**	275
Dividends received	**(3 292)**	(2 428)	**(3 292)**	(4 726)
Taxation	**1 667**	2 694	**1 780**	2 318
Net fund inflows/(outflows) after service fees on policyholder investment contracts	**277**	(4 113)	**277**	(3 080)
Net inflows/(outflows) from third party financial liabilities arising on consolidation of mutual funds	**2 533**	(5)		
Distributions to third party financial liabilities arising on consolidation of mutual funds	**(260)**	(5)		
Distribution of profits from subsidiaries-unincorporated property partnerships			**(574)**	(531)
Service fee income deferred on new business	**44**	40	**44**	40
Deferred acquisition costs on new business	**(294)**	(293)	**(294)**	(293)
	(3 007)	(5 832)	**(5 878)**	(6 470)
Adjustments for non-cash items:				
Policyholders liability transfers	**22 540**	30 488	**22 569**	30 816
Movement on short-term insurance liabilities		28		
Amortisation of deferred acquisition costs	**235**	219	**235**	218
Release of deferred revenue liability	**(22)**	(21)	**(22)**	(20)
Amortisation of intangible assets	**121**	127	**121**	46
Depreciation of equipment	**198**	213	**196**	197
Movement on defined benefit pension fund surplus	**(5)**	2	**(5)**	2
In specie capital reduction from subsidiaries				1 830
Impairment provision raised on subsidiaries			**344**	1 447
Share-based payment expense	**76**	53	**74**	53
Investment gains	**(17 081)**	(26 845)	**(16 738)**	(24 785)
Investment gains attributable to third party financial liabilities arising on consolidation of mutual funds	**336**	92		
Income attributable to non-controlling preference shareholders in subsidiaries	**849**	838		
Movement on provisions	**(22)**	(143)	**(22)**	(143)
	4 218	(781)	**874**	3 191
Working capital changes:	**4 892**	1 981	**4 793**	313
Prepayments, insurance and other receivables	**123**	50	**224**	(1 634)
Insurance and other payables and employee benefits	**4 769**	1 931	**4 569**	1 947
Cash generated from operations	**9 110**	1 200	**5 667**	3 504

41. Dividends paid

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
Dividends as per statement of changes in shareholders' funds	**(1 290)**	(1 653)	**(1 290)**	(1 653)
Distributions paid to non-controlling interests in subsidiaries	**(837)**	(780)		
Dividends received on preference shares held in relation to BEE transaction	**153**	171	**153**	171
Total dividends paid	**(1 974)**	(2 262)	**(1 137)**	(1 482)

42. Taxation paid

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
Taxation payable at the beginning of the year	**(1 407)**	(1 566)	**(1 374)**	(1 406)
Disposed of through business disposals		9		
Taxation attributable to normal taxation	**(1 187)**	(1 849)	**(1 271)**	(1 501)
Taxation payable at the end of the year	**496**	1 407	**556**	1 374
Total taxation paid	**(2 098)**	(1 999)	**(2 089)**	(1 533)

43. Related party disclosures

A list of related parties, as defined, is contained in the related party disclosures in the published Liberty Holdings Limited financial statements. Related party transactions with the ultimate holding company, directors and related entities, and joint ventures are also disclosed therein.

The disclosures below are additional to those disclosed in Liberty Holdings Limited.

Summary of related party transactions

Where relevant, amounts are excluding value added taxation.

A. Subsidiaries

A.1 Derivatives

Certain derivative transactions were entered into between Liberty Group Limited and the Corporate and Investment Banking Division of Standard Bank Group Limited. All transactions were entered into in order to hedge the market risk inherent in the company's assets and liabilities. The transactions were entered into on an arm's length basis and only after obtaining competitive pricing quotations from other financial institutions who conduct business in these markets.

Company transaction summary:

	Underlying principle/notional amount traded				Underlying principle/notional position				
	Buy 2014 Rm	Buy 2013 Rm	**Sell 2014 Rm**	Sell 2013 Rm	**Buy 2014 Rm**	Buy 2013 Rm	**Sell 2014 Rm**	Sell 2013 Rm	**Open maturity dates**
Interest rate									
Swaps	**918**	4 327	**(918)**	(4 327)	**39 161**	38 578	**(39 161)**	(38 578)	<1 - 28 years
Swaptions					**4 580**	4 580			4 - 14 years
Forwards	**16 860**	39 987	**(18 111)**	(22 471)	**3 488**	3 139	**(1 678)**	(1 508)	<1 year
Equity									
Options	**26**		**(42)**						N/A

43. Related party disclosures (continued)

Summary of related party transactions (continued)

A. Subsidiaries (continued)

A.1 Derivatives (continued)

	Fair value		Amount included in profit or loss	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Interest rate				
Swaps	**(347)**	(434)	**313**	(729)
Swaptions	**45**	23	**22**	(43)
Forwards	**29**	8	**(90)**	(37)
Equity				
Options			**2**	
Total	**(273)**	(403)	**247**	(809)

Collateral deposits of R1 582 million as at 31 December 2014 (2013: R826 million) are deposited in Standard Bank bank accounts as collateral supporting South African Futures Exchange traded derivatives.

A.2 Administration fees, loans and dividends

With effect from 1 January 2007 the company implemented a multiple employer cost basis (MEC) to the South African life licence entities within the group, namely Liberty Group Limited, Liberty Active Limited, Capital Alliance Life Limited and Liberty Growth Limited.

The MEC attributed costs between the life licences on a proportionate method with reference to the type of business sold under each licence during the year and the current in-force policies under administration. With effect from 1 September 2013 all business in Liberty Active Limited, Capital Alliance Life Limited and Liberty Growth Limited had been transferred to Liberty Group Limited in terms of section 37 of the Long-Term Insurance Act.

The table below indicates the derived allocation percentages:

	Company	
	2014 %	2013 %
Liberty Group Limited	**100**	78
Liberty Active Limited		17
Capital Alliance Life Limited		4
Liberty Growth Limited		1
Total	**100**	100

Applicable costs are therefore linked to the above proportions.
Long-term and working capital loans are provided to various subsidiaries by Liberty Group Limited, details of outstanding amounts and relevant terms are provided in note 8. Details of dividends received from subsidiaries are provided in note 32.
Fees earned for asset management, sales distribution, administration, forensics, internal audit, human resources and information systems services:

	Group and company	
	2014 Rm	2013 Rm
Liberty Group Properties Proprietary Limited	**175**	177
STANLIB Limited	**28**	26
Total	**203**	203

43. Related party disclosures (continued)

Summary of related party transactions (continued)

A. Subsidiaries (continued)

A.3 The Liberty Life Educational Foundation (educational foundation)

The educational foundation in the company received R7 million in contributions from Liberty Group Limited (2013: R16 million).

The educational foundation has its banking arrangements with Standard Bank of South Africa Limited.

The cash balance at 31 December 2014 was Rnil million (2013: R0,6 million). Interest earned for the year amounted to R51 977 (2013: R6 329).

Fees charged for the year were R13 701 (2013: R14 299).

The educational foundation also held deposits with STANLIB Limited at various times during the year.

At 31 December 2013 the deposit balance was Rnil (2013: R1,3 million) and interest earned was R13 327 (2013: R143 374).

A.4 Property leases

Liberty Group Properties Proprietary Limited lease properties from Liberty Group Limited for business operations purposes. These leases are negotiated annually. Total lease income earned was R7 million (2013: R3 million).

A.5 Reinsurance arrangements

Liberty Group Limited, Liberty Active Limited and STANLIB Multi-Manager Limited have entered into various reinsurance arrangements. These arrangements are accounted as financial instruments. Summary of movements is as follows:

	2013 Rm
Held as financial instrument assets by Liberty Group Limited(1)	
Balance at the beginning of the year	22 051
New policies issued	4 091
Claims	(4 716)
Fair value adjustments	2 910
Cancelled – Transfer of insurance business arising from life licence rationalisation	(24 336)
Balance at the end of the year	
Held as financial instrument assets by Liberty Active Limited	
Balance at the beginning of the year	8 034
Policies cancelled/matured	
New policies issued	836
Fair value adjustments	588
Cancelled – Transfer of insurance business arising from life licence rationalisation	(9 458)
Balance at the end of the year	

(1) *Includes reinsurance arrangements with Liberty Active Limited and STANLIB Multi-Manager Limited.*

A.6 Asset management

In terms of various asset management agreements, STANLIB is mandated to manage certain policyholder investments.

The value of assets under management at 31 December 2014 was R233 002 million (2013: R194 839 million) for the group and R233 002 million (2013: R194 839 million) for the company. Fees charged for the year were R426 million (2013: R381 million) for the group and R426 million (2013: R358 million) for the company.

A.7 Sale and repurchase agreements

As described in accounting polices section of these annual financial statements, the group and company have entered into certain agreements of sale and repurchase of financial instruments as part of the group and company'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).

43. Related party disclosures (continued)

Summary of related party transactions (continued)

B. Joint ventures

Financial verification services

The Financial Services Exchange Proprietary Limited provides financial verification services to Liberty Group Limited and fees charged were R2 million (2013: R1 million).

C. Holding company

With effect from 12 December 2014 Liberty Group Limited acquired a number of financial investments from Liberty Holdings Limited totalling R302 million. A deferred capital gains taxation liability totalling R26 million was transferred to Liberty Group Limited as a result of the acquisition of these investments, as the transaction is deemed intergroup for tax purposes.

44. Commitments

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
44.1 Operating lease commitments				
Properties	**122**	159	**114**	143
Within 1 year	**50**	52	**43**	45
1 to 5 years	**72**	107	**71**	98
44.2 Capital commitments				
Equipment	**258**	431	**258**	431
Under contracts	**43**	12	**43**	12
Authorised by the directors but not contracted	**215**	419	**215**	419
Investment properties	**2 519**	3 159	**2 519**	3 159
Under contracts	**951**	251	**951**	251
Authorised by the directors but not contracted	**1 568**	2 908	**1 568**	2 908
Owner-occupied properties	**25**	2	**25**	2
Under contracts	**25**	2	**25**	2
Total commitments	**4 594**	3 751	**4 586**	3 735

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. In accordance with various investment mandates, commitments have been made to invest in certain structured entities as detailed in note 47.

45. Details of non-wholly owned subsidiaries that have significant non-controlling interests

45.1 Summary

		Accumulated non-controlling interests	
		2014 Rm	2013 Rm
Subsidiaries[1]		**1**	1
Unincorporated property partnerships	46.2	**3 720**	3 503
Total non-controlling interests		**3 721**	3 504

45.2 Unincorporated property partnerships

		Percentage of ownership interest held by non-controlling interest		Profit/(loss) allocated to non-controlling interest		Accumulated non-controlling interests	
Name of property partnership	**Location**	**2014**	2013	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Sandton City consortium	South Africa	**25%**	25%	**253**	491	**3 333**	3 131
Sandton Convention	South Africa	**40%**	40%	**43**	69	**304**	288
Liberty Hotels (Pty) Ltd	South Africa	**25%**	25%	**(1)**	(2)	**83**	84
Total				**295**	558	**3 720**	3 503

45.3 Summarised financial information – non-controlling interests' share

Unincorporated property partnerships

	Sandton City consortium		Sandton Convention		Liberty Hotels (Pty) Ltd	
Name of property partnership	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Statement of financial position						
Non-current assets	**3 333**	3 135	**304**	288	**72**	76
Current assets	**5**	10			**25**	27
Current liabilities	**(39)**	(49)	**(1)**		**(14)**	(19)
Loans to group entities	**34**	35	**1**			
Comprehensive income						
Gross revenue	**336**	572	**48**	74	**122**	118
Total comprehensive income/(loss)	**253**	491	**43**	69	**(1)**	(2)

All the above entities have a 31 December year end.

[1] *There were no significant non-controlling interests in subsidiaries therefore no further information is provided.*

46. Group restrictions on assets and liabilities

The group is restricted on its ability to access or use its assets and settle its liabilities only to the extent by which amounts have been posted as collateral (refer notes 12 and 14) or assets have been pledged under certain scrip lending or repurchase agreements (refer note 12).

The group is largely constituted of various long-term insurance entities. These entities require licences to operate in and are bound by various regulations including requirements to minimum capital as stipulated. The company, Liberty Group Limited, has issued various subordinated notes that have prescribed liquidity requirements. Liberty Group Limited, is a South African licenced long-term insurer and by size is the most significant entity within the group.

For further detail refer to the capital management section in the risk management disclosures.

47. Interests in unconsolidated structured entities

The table below summarises the types of structured entities that the group does not consolidate but in which it holds an interest. The maximum exposure to loss is the carrying value of the assets held.

Name of unconsolidated structured entity	Asset type	Nature and purpose of business
Blue Diamond Investments No 3 (RF) Limited	Listed notes in a vehicle that houses South African debt instruments	Standard Bank repack vehicle
Blue Granite Investments No 2 (RF) Limited*	Residential mortgage backed securitisation	Standard Bank securitisation vehicle
Blue Granite Investments No 4 (RF) Limited*	Residential mortgage backed securitisation	Standard Bank securitisation vehicle
Calibre Mortgage Fund (Pty) Limited*	Senior, secured loan	Special purpose vehicle (SPV) set up by South African Home Loans (Pty) Limited (SAHL) into which it originates home loans. The SPV is funded by debt provided by Liberty and equity provided by SAHL.
Nitro Securitisation 4 Issuer Trust	Vehicle loan backed assets	RMB securitisation vehicle
Opiconsivia Investments 266 (Pty) Limited	Senior, secured loan	SPV originally set up by Standard Bank and Liberty to fund secured property exposures to Growthpoint, Resilient and Redefine.
SA Taxi Finance Solutions (Pty) Limited	Senior, unrated debentures secured by underlying assets	SPV set up by SA Taxi to raise debt funding which it in turn uses to originate taxi loans
SA Taxi Securitisation (Pty) Limited	Senior ranking, listed, rated debt notes secured by underlying assets	Securitisation SPV set up by SA Taxi to raise debt funding which it in turn uses to originate taxi loans
Siyakha Fund (RF) Limited	Residential mortgage backed securitisation	Standard Bank securitisation vehicle
The Thekwini Fund series:	Residential mortgage backed securitisations	SAHL securitisation vehicles
The Thekwini Fund 8 (RF) Limited		
The Thekwini Fund 9 (RF) Limited		
The Thekwini Fund 10 (RF) Limited		
The Thekwini Fund 11 (RF) Limited		
The Thekwini Fund 12 (RF) Limited		
SA Securitisation Programme (RF) Limited	Listed, rated, asset-backed note	SASFIN securitisation vehicle
Torque Securitisation (RF) Limited	Listed, rated, vehicle loan backed note	Vehicle loan securitisation vehicle

(1) *Carrying values are disclosed in the Statement of Financial Position as a financial investment.*

(2) *Income received comprises interest income and investment gains/(losses).*

***Related party entities**

Blue Granite Investments No 2 (RF) Limited, Blue Granite Investments No 4 (RF) Limited and Siyakha Fund (RF) Limited are subsidiaries of Standard Bank.

South African Home Loans (Pty) Limited is a joint venture of Standard Bank.

			Carrying value(1)		Income received(2)	
Activities	How is the structured entity financed?	Ongoing capital commitment	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Blue Diamond is a Standard Bank SPV that repacks and houses South African debt into a single instrument which investors can purchase	Credit linked notes issued to third party investors	None	**199**	402	**21**	15
Raising funding in the securitisation market	Debt funders in the securitisation market	None	**258**	257	**19**	17
Raising funding in the securitisation market	Debt funders in the securitisation market	None	**243**	252	**18**	20
SPV set up by SAHL as a funding vehicle into which Liberty can lend on a secured basis.	Liberty as debt provider	Undrawn commitment of R352 million. Drawing is subject to covenant checks by Liberty. Full commitment to be drawn down by end February 2015	**2 596**	1 148	**119**	33
Raising funding in the securitisation market	Debt funders in the securitisation market	None	**76**	160	**9**	13
Raising and housing secured funding from Liberty	Debt provided by Liberty	None	**395**	235	**19**	1
SPV set up by SA Taxi to raise funding in the securitisation market which in turn uses the funding to originate taxi loans	Debt funders in the securitsation market	Undrawn commitment of R130 million. Last draw down scheduled for November 2015	**360**	27	**30**	3
SPV set up by SA Taxi to raise funding in the securitisation market which in turn uses the funding to originate taxi loans	Debt funders in the securitisation market	None	**4**	297	**1**	24
Raising funding in the securitisation market	Debt funders in the securitsation market	None	**269**	313	**18**	10
SPV's set up by SAHL to raise funding in the securitisation market which in turn uses the funding to originate home loans	Debt funders in the securitsation market	None				
			53	11	**2**	1
			97	155	**8**	10
			95	171	**1**	20
			14	14	**1**	1
			142		**3**	
Raising funding in the securitisation market	Debt funders in the securitsation market	None	**154**		**1**	
Raising funding in the securitisation market	Debt funders in the securitsation market	None	**247**		**10**	

Notes