



OLDMUTUAL

Old Mutual Life Assurance Company (South Africa) Limited

# ANNUAL FINANCIAL STATEMENTS

Consolidated and Separate

For the year ended 31 December 2019



DO GREAT THINGS EVERY DAY

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The consolidated and separate financial statements were audited in terms of the Companies Act 71 of 2008. The preparation of the Group's and separate annual financial statements was supervised by the Group Chief Financial Officer, Casper Troskie CA(SA).

## Directors' Responsibility Statement

The directors of Old Mutual Life Assurance Company (South Africa) Limited (the Company) are required by the South African Companies Act, 71 of 2008, as amended (the Companies Act) to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial and non-financial information included in this report.

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Old Mutual Life Assurance Company (South Africa) Limited, comprising the statement of financial position at 31 December 2019 and the income statement, statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes thereto, which include accounting policy elections and other explanatory notes in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008, and the JSE Listings Requirements. In addition, the directors are responsible for the preparation of the directors' report.

The directors are also ultimately responsible for such internal controls as they determine are necessary to enable the preparation of the consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records in addition to reducing the risk of loss or error cost-effectively and effective risk management. An effective system of internal financial controls provides reasonable assurance as to the reliability of financial information being reported. To the best of their knowledge and belief the directors are satisfied that the system of internal controls provides reasonable assurance that reliance can be placed on financial records used in the preparation of the consolidated and separate financial statements during the financial year ended 31 December 2019.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the foreseeable future.

It is the responsibility of the Company's independent external auditors to report on the fair presentation of the consolidated and separate financial statements. These financial statements have been audited in terms of section 29(1) of the Companies Act. Their unmodified report is included within these annual financial statements.

## Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Old Mutual Life Assurance Company (South Africa) Limited, as identified in the first paragraph, were approved by the board of directors on 15 March 2020 and signed on their behalf by:

**T A Manuel**

Chairman

**I G Williamson**

Interim Chief Executive Officer

**Sandton**

15 March 2020

## Certificate by the Company Secretary

In terms of Section 88(2)(e) of the South African Companies Act, 71 of 2008, as amended, I certify that Old Mutual Life Assurance Company (South Africa) Limited has lodged with the Commissioner, all such returns and notices as required by the Companies Act for the year ended 31 December 2019, and that all such returns and notices appear to be true, correct and up to date.

Ms E M Kirsten

**Company Secretary**

15 March 2020

## Directors' report

The directors of Old Mutual Life Assurance Company (South Africa) Limited have pleasure in submitting their report on the consolidated and separate annual financial statements for the year ended 31 December 2019.

### 1. Review of activities

The principal activity of the Group is the transaction of all classes of life assurance, savings and retirement funding business. The Group underwrites life insurance risks associated with death and disability. It also issues a diversified portfolio of investment contracts and earns fee income from investment management service contracts.

The operating results and financial position of the Group and company are set out in the income statements, statements of comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and accompanying notes.

Profit before tax for the Group was R10,650 million (2018 R7,901 million), and profit after tax was R6,942 million (2018: R9,021 million).

Profit before tax for the company was R4,365 million (2018 R8,599 million), and profit after tax was R367 million (2018: R10,020 million).

### 2. Consolidated and Company annual financial statements

In terms of International Financial Reporting Standards (IFRS), the company is required to produce consolidated financial statements as its subordinated debt instruments are traded in a public market.

In the company financial statements, the company's investments in its subsidiaries, joint ventures, associate companies and structured entities are accounted for as financial assets at fair value through profit or loss and dividends are recognised when receivable.

### 3. Holding Company

The company's holding company is Old Mutual Emerging Markets (Pty) Limited incorporated in South Africa.

### 4. Ultimate holding Company

The company's ultimate holding company is Old Mutual Limited incorporated in South Africa and listed on the Johannesburg Stock Exchange, with secondary listings in Zimbabwe, Namibia and Malawi and a standard listing on the London Stock Exchange.

### 5. Share capital

There were no changes in the authorised or issued ordinary or preference share capital of the company.

### 6. Dividends

Dividends on ordinary shares amounting to R2,439 million (2018: R3,909 million) and dividends on preference shares amounting to Rnil million (2018: R512 million) were declared during the year by the Company. The ordinary dividend was paid in cash.

The directors of the company acknowledged, that it had applied the solvency and liquidity requirements of the Companies Act and Insurance Act prior to the dividend declaration and reasonably concluded that the company will satisfy same immediately after completing the distribution.

## Directors' report

### 7. Directors

Details of the members of the Board who served during the year and at the reporting date have been provided below. The biographical details of the current directors are available in the Governance report which can be found on our website.

Name	Position as director	Appointment date	Resignation/ termination date
Mr TA Manuel c	Independent Non-Executive Director	05.03.2018	
Mr PC Baloyi a,r	Non-Executive Director	05.03.2018	
Mr PG de Beyer a, r, c	Independent Non-Executive Director	05.03.2018	
Mr AK Essien r, c	Independent Non-Executive Director	05.03.2018	
Mr I Kgaboesele a	Independent Non-Executive Director	05.03.2018	
Mr JR Lister a, r	Independent Non-Executive Director	05.03.2018	
Dr SM Magwentshu-Rensburg	Independent Non-Executive Director	05.03.2018	
Ms TM Mokgosi-Mwantembe	Non-Executive Director	05.03.2018	
Mr MP Moyo	Executive Director	05.03.2018	17.06.2019
Ms NT Moholi	Independent Non-Executive Director	05.03.2018	18.09.2019
Ms CWN Molohe a, r	Independent Non-Executive Director	05.03.2018	
Mr BM Rapiya r, c	Non-Executive Director	05.03.2018	
Mr CG Troskie	Executive Director	27.03.2018	
Mr IG Williamson	Executive Director (Interim CEO)	27.05.2019	

*a Member of the Audit Committee.*

*r Member of Risk Committee.*

*c Member of the Committee for Customer Affairs.*

### 8. Company secretary

Ms EM Kirsten is the company secretary.

### 9. Auditors

During the year Deloitte & Touche and KPMG Inc. have been the joint auditors of the Group and the Company. The auditors' engagement is in accordance with section 90 of the Companies Act of South Africa.

## Corporate governance report

### Corporate Governance Framework

Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA) is a licensed life insurer and wholly-owned subsidiary of the Old Mutual Limited which is a JSE listed entity. Old Mutual Limited established a Group Governance Framework (GGF) which adheres to King IV™. This framework outlines the minimum governance requirements for the Group and its subsidiary entities. The Group is in compliance with King IV™ and requires that its subsidiaries comply with the King IV™ governance outcomes through application of the principles as set out in the code.

The OMLACSA board is satisfied that during 2019, it complied with the GGF, and has applied the King IV™ principles on the same basis as the Group. Refer to the full Governance Report 2019 on our corporate website for a full detail of the application and explanation of the GGF principles and King IV™ requirements.

### Going concern

The Board has satisfied itself that the Group and Company has adequate resources to continue in operation for the foreseeable future. The Company's financial statements have accordingly been prepared on a going concern basis.

## Audit Committee report

This Audit committee report has been prepared based on the requirements of the SA Companies Act, 71 of 2008, as amended ('Companies Act'), the King Code of Governance for SA ('King IV™'), the JSE Listings Requirements and other applicable regulatory requirements.

This report sets out how the Audit Committee has satisfied its various statutory obligations during the year, as well as some of the focus areas considered and how these have been addressed by the committee.

### Role and mandate

The committee's main role is to assist the Board in fulfilling its oversight responsibilities, in particular with regard to the integrity of the Group's financial statements, effectiveness of the systems of internal control, financial reporting and risk management.

In addition, the committee is responsible for assessing the effectiveness of the internal audit function, the Chief Financial Officer and the independence and effectiveness of the Group's external auditors.

These responsibilities are in terms of the mandate of the Audit committee as defined in section 94(7) of the Companies Act and its terms of reference, which are available at [www.oldmutual/about/governance/board-committees](http://www.oldmutual/about/governance/board-committees).

### Committee composition

The committee is comprised of four independent non-executive directors and one non-executive director who all satisfy the requirements to serve as members of an audit committee, as defined by section 94(7) of the Companies Act. Two out of the five committee members are chartered accountants and all five members have risk management, finance and audit expertise.

The Chairperson of the committee reports to the Board on its activities, all matters discussed, highlighting key issues requiring action and recommendations for resolution. The Audit committee works closely with the Group Risk committee, which reviews risk management and compliance initiatives and monitors the effectiveness of the risk, compliance and internal control environment of the Group.

The Chairperson of the Audit committee is a member of the Risk committee and the Chairperson of the Risk committee is a member of the Audit committee. This helps ensure that there is adequate communication between the two committees.

Name	Appointment/ resignation date	Board status	Scheduled quarterly meeting attendance <sup>#</sup>	Adhoc meeting attendance <sup>#</sup>
Nosipho Molope (Chairperson) BSc (Medical Sciences), BCompt (Hons), CTA, CA(SA)	06.03.2018	Independent non-executive	4/4	5/5
Paul Baloyi* MBA, AMP (INSEAD), SEP (Harvard)	06.03.2018	Non-executive*	4/4	5/5
Peter de Beyer BBus Sci (Hons), FASSA	06.03.2018	Independent non-executive	4/4	4/5 <sup>^</sup>
Itumeleng Kgaboesele BCom, PDip (Acc), Dip (FMI), CA(SA)	06.03.2018	Independent non-executive	4/4	5/5
John Lister BSc (Stats), FIA	06.03.2018	Independent non-executive	4/4	5/5

<sup>#</sup> In accordance with the Audit committee's Terms of Reference, it held the minimum of 4 scheduled meetings during 2019, along with an additional 5 special meetings required to adequately discharge its duties in accordance with its mandate.

<sup>^</sup> Apologies received.

\* In line with Group requirements, Paul Baloyi became a non-executive director on 22 October 2019 as his tenure exceeded 9 years.

The engagement partners of the external auditors and Group Internal Audit Director are standing invitees to the Audit committee meetings, as is the Board Chairman, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and the heads of finance, actuarial and tax. Invitations to attend committee meetings are extended to senior executives and professional advisers as deemed appropriate. Directors of the Board who are not members of the committee have the right of attendance at Audit committee meetings.

# Audit Committee report

## Our commitment to independence, transparency and collaboration

The Audit committee encourages continuous improvement of and fosters adherence to the Group's policies, procedures and practices at all levels of the organisation.

Application of these policies encourages open communication with assurance providers, including the external auditors, senior management, internal audit, compliance, the risk functions and the Board.

The Group Internal Audit Director also has a direct reporting line to the committee with unrestricted access to the committee chairperson.

The independence of the committee is key to its effective functioning, whilst ensuring that it does not assume the functions of management.

As part of its mandate, it has the authority to investigate matters within the scope of its defined responsibility and to request information or explanations necessary for the performance of its functions.

## Areas of focus during the year

### Significant audit matters

The Audit committee routinely considers audit matters, as raised by the external auditors relating to the annual financial statements.

Audit matter	How the Audit committee addressed the matter
Assumptions related to policyholder liabilities	The committee reviewed reports from the Head of Actuarial Function and the external auditors on actuarial assumptions and basis changes.
Valuation of property assets	The committee reviewed the appropriateness of property asset valuations.
Implementation of IFRS 16 "Leases"	The committee oversaw the implementation of the new leases standard, which was effective 1 January 2019. The committee reviewed the appropriateness of the key assumptions and accounting treatment of material internal lease arrangements.
Goodwill and intangible valuations and impairments	The committee reviewed the goodwill and intangible assets impairment reviews that were based on the latest business planning inputs. The committee considered the sensitivity of the outcomes to declining growth rates and increasing discount rates.

## Financial statements and integrated reporting process

During the year under review the Audit committee:

- Reviewed and debated key accounting, actuarial and tax judgements including external audit's Key Audit Matters and analysed financial information included in the Group's interim and year end results announcements to ensure the accuracy and integrity of financial data disclosed externally.
- Reviewed the Head of Actuarial Function reports concluding that the actuarial control function operated effectively.
- Reviewed and assessed the audited annual financial statements, and found the controls and financial reporting processes underpinning its compilation to be appropriate and effective.
- Recommended to the Board for approval the annual financial statements, interim and annual results and the financial information included in the 2019 Integrated Report. Assessed and confirmed the appropriateness of the going concern assumption used in the interim and annual financial statements.
- Reviewed the interim and final dividend proposals, as well as the proposed share buybacks and ensured that the Group had sufficient resources to make these distributions, before recommending them to the Board.
- Reviewed reports from the Head of Actuarial Function and the joint external auditors on actuarial assumptions and the reliability and adequacy of the financial soundness results of Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA) at 31 December 2019.
- Reviewed and recommended for approval for the implementation of the Group consolidated multi-issuer note programme.

## Internal controls and risk management

The Audit committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and risk management, and for considering the findings of any major internal investigations into control weaknesses, fraud or misconduct, and management's response thereto.

The Audit and Risk committees delegate the duty to management to continuously identify, assess, mitigate and manage risks within the existing and changing risk profile of our operating environment. Mitigating controls are formulated to address the risks and the Board is kept abreast of progress on the Group's risk management plan.

During the year under review the committee considered control issues identified from the various reports reviewed by the committee in the context of the overall effectiveness of internal controls.

This included internal and external audit reports, reports from the Board's Risk committee as well as specific internal control reports from management relating to internal attestation of financial and other controls.

Having considered, analysed, reviewed and discussed information provided by management, other Board committees, Internal Audit and the external auditors, the Audit committee is of the opinion that the internal controls of the Group had been effective in all material aspects, throughout the year under review.

## Internal Audit

Internal Audit is the third line of assurance in the assurance model, and provides independent assurance over the first and second lines of assurance operations and oversight functions.

Group internal audit is accountable to the Audit committee and has unrestricted access to the Chairman of the Audit Committee.

Group internal audit meets with the Audit committee at least once a year without management being present, and has frequent interactions with the Chairperson of the Audit committee.

The Audit committee approves the internal audit plan and neither the Group Internal Audit Director nor the internal audit function reports into the executive committee rather than from an administrative perspective. Group internal audit is also independent from the activities it audits and from the day-to-day internal control processes of the Group.

This maintains the functional and financial independence of the internal audit function.

During the year under review the Audit committee:

- Reviewed and approved the internal audit terms of reference and charter.
- Evaluated the independence, effectiveness and performance of the Internal Audit function and compliance with its terms of reference.
- Reviewed and approved the annual internal audit plan in consultation with the Group internal audit director, ensuring that material risk areas were included, that the coverage of risks and business processes was acceptable.
- Reviewed and discussed with the Group internal audit director the scope of work of the internal audit function, the issues identified as a result of its work and management's responsiveness to issues raised and agreed action plans.
- Ensured coordination and cooperation between internal audit and the risk management and compliance functions.
- An independent review of the effectiveness of Group internal audit was conducted during year, with no concerns raised.
- Reviewed the performance and confirmed the suitability and appropriateness of the expertise and experience of the Chief Financial Officer.

The Audit committee is satisfied with the appropriateness of the expertise, experience and resources of the internal audit function and that of the audit director.

The Audit committee is satisfied with the appropriateness of the expertise and experience of the Chief Financial Officer, Casper Troskie, and the resources, expertise, succession planning and experience of the Group's finance function.

## External auditors

The Audit committee is responsible for the appointment, compensation and oversight of the external auditors for the Group, namely Deloitte and Touche and KPMG Inc.

During the year under review the Audit committee:

- Considered and recommended to the Board the appointment of the joint external auditors Deloitte and Touche (with Alex Arterton as designated registered auditor and joint signing partner of Old Mutual Limited and OMLACSA) and KPMG Inc. (with Pierre Fourie as designated registered auditor and joint signing partner for Old Mutual Limited and Mark Danckwerts as the joint signing partner for OMLACSA). In addition, the committee approved the audit fees for the 2019 year under review.
- Approved the OMLACSA non-audit services policy.
- Monitored and ensured that fees for non-audit services were in line with the Group's policy on non-audit services, which is summarised in the Corporate Governance section of our website.
- Ensured that the appointment and the independence of the external auditors were in compliance with the Companies Act and all other regulatory and legal requirements.

## Audit Committee report

- Reviewed the external auditors findings and recommendations and ensured that matters raised were resolved appropriately.
- Approved the joint external auditors' annual audit plan and ensured that all statutory and financial reporting requirements were met and material risks were identified and appropriately addressed.
- Ensured coordination and cooperation between the external and internal auditors.
- Monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence, as well as the execution of the audit plan.
- Reviewed the arrangements in place to ensure appropriate rotation of the designated external audit partners as required in terms of Section 92 of the Companies Act.
- Confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005.
- Considered reports from subsidiary Audit committees on the activities of subsidiary entities.

The Audit committee reviewed and approved the non-audit Services policy, which governs the type, value and scope of non-audit services that the external auditors are able to perform for the Group. Only those non-audit services that do not impact the external auditors' independence and where it is best placed for the auditors to perform the services are permitted under the policy.

The Audit committee is satisfied with the appropriateness of the expertise, experience and resources of the external auditors, the external audit partners and the quality of the external audit.

### Combined assurance

The Audit committee is responsible for overseeing combined assurance activities and ensuring that these are effective in achieving its objectives.

The Group's Combined Assurance framework establishes integrated and coordinated assurance activities between the three lines of assurance across all levels of the organisation. There is continued and ongoing focus on increased collaboration and sharing of information as well as reducing duplication of activities.

In accordance with the principle of proportionality of our Group Governance Framework, both the boards of non-operating holding companies and holding companies with own operations are required to adopt the Combined Assurance Framework and ensure that the framework is implemented within their entity. Any areas of concern are escalated to the Audit committee.

The Audit committee is satisfied that assurance activities result in an adequate, effective control environment and the integrity of reports can be relied upon for decision making.

### Committee Training

As a part of the ongoing training for directors, the committee members received training on the new insurance accounting standard IFRS 17, the Group's balance sheet measures and types and uses of capital in the Group.

### Committee performance

The performance of the committee is reviewed annually as part of the effectiveness review of the Board and all its committees. The externally facilitated review performed during 2019 concluded that the committee operated effectively and successfully discharged its responsibilities and duties during the year under review.

### Key focus areas for 2020

- Monitoring and evaluation of the Group's preparation for the implementation of IFRS 17.
- Focus on ensuring that the Group's financial processes and controls operate effectively and are proportional with the group's complexity.

### Conclusion

The Audit committee is satisfied that it has complied with all statutory duties as well as its duties under its terms of reference for the reporting period.

The Audit committee reviewed the Group Annual Financial Statements for the year ended 31 December 2019 and recommended them for approval to the board on 11 March 2020.

On behalf of the Audit Committee

#### Nosipho Molope

Audit committee Chairperson

15 March 2020  
Sandton

## Independent auditors' report

### To the shareholders of Old Mutual Life Assurance Company (South Africa) Limited

Report on the audit of the consolidated and separate financial statements

### Opinion

We have audited the consolidated and separate financial statements of Old Mutual Life Assurance Company (South Africa) Limited (the Group and Company) set out on pages 15 to 132, which comprise the separate and consolidated statements of financial position at 31 December 2019, the separate and consolidated income statements, the separate and consolidated statements of comprehensive income, the separate and consolidated statements of changes in equity, the separate and consolidated statements of cash flows for the year then ended and notes to the separate and consolidated financial statements, including a summary of significant accounting policies but excluding the information marked as "unaudited".

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Old Mutual Life Assurance Company (South Africa) Limited at 31 December 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters set out below relate to our audit of the consolidated and separate financial statements.

#### Valuation of life insurance contract liabilities and investment contract liabilities with discretionary participating features (policyholder liabilities) – R310 billion (consolidated) and R309 billion (separate)

Refer to the accounting policy note A3 and disclosure note F2.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the value of the policyholder liabilities was R309 billion, being R133 billion for life insurance contract liabilities and R176 billion for investment contract liabilities with discretionary participating features in respect of the separate financial statements and R310 billion, being R134 billion for life insurance contract liabilities and R176 billion for investment contract liabilities with discretionary participating features in respect of the consolidated financial statements. These policyholder liabilities are measured in accordance with Standard of Actuarial Practice (SAP) 104 in a manner consistent with IFRS 4 – Insurance Contracts, in the consolidated and separate financial statements.	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>• Evaluating the design and implementation of controls over the actuarial reserving processes to ensure the appropriateness of key assumptions applied and the assessment by the actuarial review function and the directors of the final measurement of policyholder liabilities.</li> <li>• Verifying the completeness and accuracy of data included in the valuation models through a combination of evaluating and concluding on the design, implementation and operating effectiveness of associated controls, verifying on a sample basis the data inputs to source documentation and using data analytics to reconcile the data between systems and identify and investigate any anomalies.</li> <li>• Together with our actuarial specialists: <ul style="list-style-type: none"> <li>› Assessing the appropriateness of the methodologies and assumptions applied to value the policyholder liabilities against industry standards, IFRS, SAP 104 and where relevant, market practice;</li> <li>› Challenging key assumptions and the methodologies and processes used to determine and update these assumptions by applying our industry knowledge and expertise and our assessment of the Group and Company's analysis of experience to date. Our challenge focused on the following assumptions; mortality, morbidity and lapse rates, maintenance expenses, discount rates, discontinuance rates and forecast investment returns derived by the ESG.</li> </ul> </li> </ul>
The valuation of policyholder liabilities requires significant judgement and estimation driven by a number of inputs based on a variety of uncertain future outcomes. Judgements also include the policies for creating and releasing discretionary margins. Inputs into the valuation of policyholder liabilities include actuarial assumptions such as mortality and morbidity rates, lapse rates and other key assumptions including discount rates, discontinuance rates, forecast investment returns and maintenance expenses.	
The valuation of policyholder liabilities involves the use of complex models dependent on complete and accurate data, which also drives experience studies applied in forming key assumption decisions.	

## Independent auditors' report

### To the shareholders of Old Mutual Life Assurance Company (South Africa) Limited

#### Report on the audit of the consolidated and separate financial statements

The Group and Company during the year concluded experience reviews and implemented model and methodology improvements including the introduction of an improved and recalibrated economic scenario generator ("ESG"), which is a key component in the modelling of investment guarantee risk. As set out in accounting policy A3, the impact of these changes resulted in a profit of R946 million being recognised.

Due to the significant judgement and estimation uncertainty involved in the determination of the policyholder liabilities, the valuation of policyholder liabilities is considered a key audit matter.

- › Assessing the consistency of the data used in experience investigations supporting key changes in assumptions with other audited information and evaluating the results of experience investigations and ensuring they are appropriately applied in the valuations.
- › Evaluating the appropriateness of discretionary margins applied to ensure the policies are consistent with actuarial guidance, the Group and Company's policies and IFRS; and
- › Assessing the appropriateness and accuracy of key models used to value the policyholder liabilities, including performing specific analysis and assessment of the revised ESG, testing relevant IT controls, re-calculating certain outputs and assessing the consistency of model outputs with our expectations and the Group and Company's analysis of profits.
- Considering the basis of all significant changes to experience reviews, models and methodologies to ensure they are appropriately accounted for in terms of IFRS.
- Considering whether the associated disclosures are compliant with IFRS and with the methodologies and assumptions approved by the directors.

#### Valuation of investments and securities – R697 billion (consolidated) and R671 billion (separate)

Refer to the accounting policy on note A3 disclosure notes D2 and F1.

Key audit matter	How the matter was addressed in our audit
<p>At 31 December 2019, investments and securities (financial instruments) carried at fair value through profit or loss represented 94.8% of total assets in the separate financial statements and 86.6% of total assets in the consolidated financial statements. Level 1 investments and securities amount to R328 billion (49.0% of the total balance) in the separate financial statements and R375 billion (53.8% of the balance) in the consolidated financial statements.</p> <p>As level 1 investments and securities are valued using quoted market prices, we do not consider these to include a high risk of significant misstatement, or to be subject to a significant level of judgment. However, due to their significance in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p> <p>Level 2 investments and securities amount to R289 billion (43.1% of the total balance) in the separate financial statements and R295 billion (42.2% of the total balance) in the consolidated financial statements. The valuations of level 2 financial instruments are determined using models where all significant inputs are observable whilst the valuations of level 3 financial instruments which are determined using techniques where one or more significant inputs are unobservable.</p> <p>Level 3 investments and securities amount to R53 billion (7.9% of the total balance) in the separate financial statements and R27 billion (3.8% of the total balance) in the consolidated financial statements. The significant unobservable inputs include adjustments to the discount rate such as equity risk premiums, liquidity discounts, and price earnings ratios (PE ratio/multiple). Consequently, the determination of the fair value of investments and securities classified as level 2 and 3 financial instruments is more complex and/or judgemental, with a higher level of estimation uncertainty.</p> <p>Due to the significance of level 1 investments and securities, the estimation uncertainty involved in determining the fair value of investments and securities classified as level 2 and 3 financial instruments and the audit work effort involved, the valuation of investments and securities is considered to be a key audit matter.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>• Evaluating the design and implementation of controls over the valuation of investments and securities to ensure the accuracy of inputs, the appropriateness of methodologies and the assessment by the directors of the final measurement of the investments and securities.</li> <li>• For level 1 and level 2 investments, verifying observable valuation inputs against independent data for a sample of the investments.</li> <li>• Selecting a sample of level 2 and 3 financial instruments and performing the following procedures: <ul style="list-style-type: none"> <li>› With our own valuation specialists challenging and assessing the key inputs and assumptions used in the valuation models, such as estimated cash flows, growth rates and discount rates, and critically assessing the valuation methodologies against current market practice and industry standards;</li> <li>› Comparing the valuation models and assumptions applied, ensuring consistency across the group;</li> <li>› Assessing the reasonableness of the estimated cash flows by performing retrospective testing and comparing actual financial performance against previous forecasts; and</li> <li>› Assessing the appropriateness of the pricing multiples used in certain valuations by comparing them with comparable listed companies, adjusted for comparability differences, size and liquidity.</li> </ul> </li> <li>• Independently calculating certain disclosure items from source data and assessing whether the disclosures in relation to the fair value hierarchy of the investments and securities and the disclosures around the estimation uncertainty are complete, appropriate and in compliance with IFRS.</li> </ul>

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Old Mutual Life Assurance Company (South Africa) Limited Annual Financial Statements Consolidated and Separate for the year ended 31 December 2019", which includes the Directors' Report, the Audit Committee Report and the Certificate by the Company Secretary as required by the Companies Act of South Africa and information marked as "unaudited" in the consolidated and separate financial statements. The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.



## Independent auditors' report

Report on the audit of the consolidated and separate financial statements

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Old Mutual Life Assurance Company (South Africa) Limited for 29 years and Deloitte & Touche has been the auditor of Old Mutual Life Assurance Company (South Africa) Limited for two years.

<b>KPMG Inc.</b>	<b>Deloitte &amp; Touche</b>
Registered Auditor	Registered Auditor
Per Mark Danckwerts	Per Alex Arterton
Chartered Accountant (SA)	Chartered Accountant (SA)
Registered Auditor	Registered Auditor
Director	Partner
15 March 2020	15 March 2020
85 Empire Road	1st floor, the Square
Parktown	Cape Quarter
2193	27 Somerset Road
	Green Point
	8005

## Separate and consolidated income statements

For the year ended 31 December 2019

Rm	Notes	Separate		Consolidated	
		2019	2018 (Re-presented) <sup>1</sup>	2019	2018 (Re-presented) <sup>1</sup>
<b>Revenue</b>					
Gross insurance premium revenue		55,324	53,920	56,433	54,934
Outward reinsurance		(1,959)	(1,463)	(2,173)	(1,699)
Net earned premiums	F2(a)	53,365	52,457	54,260	53,235
Investment return	C2	59,005	2,884	75,296	7,809
Fee and commission income, and income from service activities	C3	4,962	6,044	7,084	8,021
Other income		1,461	1,163	1,073	670
<b>Total revenue and other income</b>	C7	<b>118,793</b>	<b>62,548</b>	<b>137,713</b>	<b>69,735</b>
<b>Expenses</b>					
Gross claims and benefits (including change in insurance contract provisions)		(70,461)	(42,819)	(70,878)	(43,124)
Reinsurance recoveries		2,566	1,495	2,788	1,741
Net claims and benefits incurred	F2(b)	(67,895)	(41,324)	(68,090)	(41,383)
Change in investment contract liabilities	F2(e)	(27,398)	5,669	(28,612)	6,219
Credit impairment charges		(103)	(6)	(90)	(14)
Finance costs	C4	(594)	(556)	(594)	(556)
Fee and commission expenses, and other acquisition costs	C5	(7,127)	(6,788)	(7,564)	(6,965)
Change in third-party interest in consolidated funds		-	-	(7,782)	(4,832)
Other operating and administrative expenses	C6	(11,311)	(10,944)	(15,680)	(14,817)
<b>Total expenses</b>		<b>(114,428)</b>	<b>(53,949)</b>	<b>(128,412)</b>	<b>(62,348)</b>
Share of gains of associated undertakings and joint ventures after tax	H2	-	-	2,234	514
Impairment of investments in associated undertakings	H2	-	-	(869)	-
Loss on disposal of subsidiaries and associated undertakings		-	-	(16)	-
<b>Profit before tax</b>		<b>4,365</b>	<b>8,599</b>	<b>10,650</b>	<b>7,901</b>
Income tax expense	C1	(3,998)	1,421	(3,708)	1,120
Shareholder tax		(2,188)	1,637	(2,247)	1,471
Policyholder tax		(1,810)	(216)	(1,461)	(351)
<b>Profit after tax for the financial year</b>		<b>367</b>	<b>10,020</b>	<b>6,942</b>	<b>9,021</b>
<b>Attributable to</b>					
<b>Equity holders of the parent</b>					
Non-controlling interests					
Ordinary shares		-	-	86	11
<b>Profit after tax for the financial year</b>		<b>367</b>	<b>10,020</b>	<b>6,942</b>	<b>9,021</b>

<sup>1</sup> Finance costs for the year ended 31 December 2018 have been re-presented to only reflect those finance costs associated with the subordinated debt that support the capital structure of the Company and Group. As a result, R504 million (separate) and R1,434 million (consolidated) that support the operating activities of the Company and Group have been re-presented within other operating and administrative costs. In addition, other income of R1,163 million (separate) and R670 million (consolidate) have been separated from fee and commission income, and income from service activities commission into its own line item. These adjustments are presentational only and had no impact on total expenses, profit after tax, net assets or equity attributable to the equity holders of the parent.

## Separate and consolidated statements of comprehensive income

For the year ended 31 December 2019

Rm	Separate		Consolidated	
	2019	2018 (Re-presented) <sup>1</sup>	2019	2018 (Re-presented) <sup>1</sup>
<b>Profit after tax for the financial year</b>	<b>367</b>	10,020	<b>6,942</b>	9,021
<b>Other comprehensive income for the financial year</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Gains on property revaluations	183	111	183	111
Remeasurement (loss)/gains on defined benefit plans	(388)	–	109	41
Fair value movements related to own credit risk on borrowed funds <sup>2</sup>	(62)	(102)	(62)	(102)
Share of other comprehensive income from associated undertakings and joint ventures	–	–	68	–
Shadow accounting <sup>3</sup>	(130)	(201)	(130)	(201)
Income tax on items that will not be reclassified to profit or loss	93	20	(46)	8
	(304)	(172)	122	(143)
<b>Items that may be reclassified to profit or loss</b>				
Currency translation differences on translating foreign operations	2	64	(91)	188
Share of other comprehensive income from associated undertakings and joint ventures	–	–	(284)	–
	2	64	(375)	188
<b>Total other comprehensive (loss)/income for the financial year</b>	<b>(302)</b>	(108)	<b>(253)</b>	45
<b>Total comprehensive income for the financial year</b>	<b>65</b>	9,912	<b>6,689</b>	9,066
<b>Attributable to</b>				
Equity holders of the parent	65	9,912	6,603	9,055
Non-controlling interests				
Ordinary shares	–	–	86	11
<b>Total comprehensive income for the financial year</b>	<b>65</b>	9,912	<b>6,689</b>	9,066

<sup>1</sup> The year ended 31 December 2019 has been re-presented to reflect movement in other comprehensive income gross of taxation to better align with the requirements of IFRS. As a result, R20 million (separate and consolidated) has been re-presented from gains on property valuations and R12 million (consolidated) from re-measurement gains on defined benefit plans to a new line item called income tax on items that will not be reclassified to profit or loss. These adjustments are presentational only and had no impact on total expenses profit after tax, net assets or equity attributable to the equity holders of the parent.

<sup>2</sup> Amounts relating to own credit risk are released through equity when financial liability is derecognised.

<sup>3</sup> Shadow accounting is an adjustment, permitted by IFRS 4 'Insurance contracts', to allow for the impact of recognising unrealised gains or losses on insurance assets and liabilities in a consistent manner to the recognition of the unrealised gain or loss on financial assets that have a direct effect on the measurement of the related insurance assets and liabilities.

## Separate and consolidated statements of financial position

At 31 December 2019

Rm	Notes	Separate		Consolidated	
		2019	2018 (Re-presented) <sup>1</sup>	2019	2018 (Re-presented) <sup>1</sup>
<b>Assets</b>					
Goodwill and other intangible assets	G1	2,441	1,794	2,957	2,362
Property, plant and equipment	G2 (a)	4,834	4,445	4,881	4,461
Investment property	G2 (b)	1,032	1,123	30,567	29,741
Deferred tax assets	G7(a)	37	58	165	189
Investments in associated undertakings and joint ventures	H2	–	–	26,709	27,188
Deferred acquisition costs	G3	1,283	1,235	1,559	1,527
Loans and advances		184	188	184	188
Investments and securities	F1	671,196	625,750	696,636	655,910
Reinsurers' share of policyholder liabilities	F2	1,424	524	1,683	1,033
Current tax receivable		–	–	1	–
Amounts due by Group companies	H1(a)	5,044	3,216	1,991	1,832
Trade, other receivables and other assets	G4	10,177	9,590	14,964	13,895
Derivative financial instruments		3,167	2,775	3,167	2,795
Cash and cash equivalents		6,784	6,216	19,182	16,128
Assets held for sale		–	–	516	–
<b>Total assets</b>		<b>707,603</b>	656,914	<b>805,162</b>	757,249
<b>Liabilities</b>					
Life insurance contract liabilities	F2	133,358	135,425	134,219	136,519
Investment contract liabilities with discretionary participating features	F2	175,667	164,658	175,667	164,658
Investment contract liabilities	F2	299,018	261,250	301,659	275,145
Third-party interests in consolidated funds		–	–	76,008	76,374
Borrowed funds	F3	7,122	6,048	7,122	6,048
Provisions and accruals	G5	1,443	1,010	1,673	1,042
Deferred revenue	G6	65	66	122	136
Deferred tax liabilities	G7(b)	2,362	1,545	3,569	3,217
Current tax payable		1,229	706	1,300	707
Amounts due to Group companies	H1(a)	1,411	1,271	1,435	3,151
Trade, other payables and other liabilities	G8	27,103	23,212	44,721	36,021
Derivative financial instruments		4,837	5,342	4,874	5,342
<b>Total liabilities</b>		<b>653,615</b>	600,533	<b>752,369</b>	708,360
<b>Net assets</b>		<b>53,988</b>	56,381	<b>52,793</b>	48,889
<b>Shareholders' equity</b>					
Equity attributable to equity holders of the parent		53,988	56,381	52,453	48,513
<b>Non-controlling interests</b>					
Ordinary shares		–	–	340	376
<b>Total non-controlling interests</b>		<b>–</b>	–	<b>340</b>	376
<b>Total equity</b>		<b>53,988</b>	56,381	<b>52,793</b>	48,889

<sup>1</sup> Owner occupied property of R4,012 million (separate and consolidated) and equipment of R433 million (separate) and R449 million (consolidated) at 31 December 2018 have been re-presented within property, plant and equipment. In addition, share based payment liabilities of R385 million (separate and consolidated), post employment benefits of R1,388 million (separate and consolidated), collateral owing of R2,719 million (separate and consolidated), repurchase agreements of R6,002 million (separate and consolidated) and borrowed funds of R10,989 million (Consolidated) at 31 December 2018 have been re-presented within trade, other payables and other liabilities. These adjustments are presentational only and had no impact on total expenses profit after tax, net assets or equity attributable to the equity holders of the parent.

## Separate and consolidated statements of cash flows

For the year ended 31 December 2019

Rm	Notes	Separate		Consolidated	
		2019	2018	2019	2018
<b>Cash flows from operating activities</b>					
Profit before tax		4,365	8,599	10,650	7,901
Non-cash movements in profit before tax		21,244	18,353	962	15,775
Net changes in working capital		6,660	(703)	23,954	(4,797)
Taxation paid		(2,517)	(3,014)	(2,726)	(3,268)
<b>Net cash inflow from operating activities</b>		<b>29,752</b>	<b>23,235</b>	<b>32,840</b>	<b>15,611</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(240)	(791)	(247)	(798)
Acquisition of investment property		(72)	(92)	(1,002)	(1,275)
Proceeds from disposal of investment property		-	364	-	372
Acquisition of intangible assets		(889)	(722)	(1,097)	(829)
Acquisition of investment in subsidiaries		-	-	(114)	(839)
Acquisition of financial instruments		(20,524)	(25,367)	(19,853)	(16,739)
Proceeds from disposal of non-current asset held for sale		-	200	-	293
<b>Net cash outflow from investing activities</b>		<b>(21,725)</b>	<b>(26,408)</b>	<b>(22,313)</b>	<b>(19,815)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowed funds	F3	2,000	-	2,000	2,333
Repayment of borrowed funds	F3	(1,000)	-	(1,000)	-
Funding in respect of repurchase agreements		(6,002)	700	(6,002)	700
Dividends paid to company's shareholders		(2,439)	(3,692)	(2,439)	(3,692)
<b>Net cash outflow from financing activities</b>		<b>(7,441)</b>	<b>(2,992)</b>	<b>(7,441)</b>	<b>(659)</b>
<b>Net cash inflow/(outflow)</b>		<b>586</b>	<b>(6,165)</b>	<b>3,086</b>	<b>(4,863)</b>
Cash and cash equivalents at beginning of the year		6,216	12,381	16,128	20,880
Effects of exchange rate changes on cash and cash equivalents		(18)	-	(32)	-
Cash acquired as part of business combination		-	-	-	111
<b>Total cash and cash equivalents at end of the year</b>		<b>6,784</b>	<b>6,216</b>	<b>19,182</b>	<b>16,128</b>

### Comprising

Rm	Separate		Consolidated	
	2019	2018	2019	2018
Bank Balances	6,098	5,894	18,483	15,806
Collateral held	686	322	699	322

Cash and cash equivalents comprise cash balances and highly liquid short term funds, cash held in investment portfolios awaiting reinvestment and cash and cash equivalents subject to the consolidation of funds.

## Separate and consolidated statements of changes in equity

For the year ended 31 December 2019

Rm	Separate						
	Share capital	Share premium	Property revaluation reserve	Liability credit reserves <sup>1</sup>	Translation reserves	Retained earnings	Total equity
<b>Balance at 1 January 2018</b>	8	6,415	73	-	20	44,403	50,919
Profit after tax	-	-	-	-	-	10,020	10,020
IFRS 9 transitional adjustment	-	-	-	(29)	-	10	(19)
Other comprehensive (loss)/income	-	-	(70)	(102)	64	-	(108)
Dividends <sup>2</sup>	-	-	-	-	-	(4,421)	(4,421)
Transfer between reserves	-	-	(70)	-	-	70	-
Other movements	-	-	-	-	-	(10)	(10)
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>(140)</b>	<b>(131)</b>	<b>64</b>	<b>5,669</b>	<b>5,462</b>
<b>Balance at 31 December 2018</b>	<b>8</b>	<b>6,415</b>	<b>(67)</b>	<b>(131)</b>	<b>84</b>	<b>50,072</b>	<b>56,381</b>
Profit after tax	-	-	-	-	-	367	367
Other comprehensive income/(loss)	-	-	37	(49)	2	(292)	(302)
Dividends <sup>2</sup>	-	-	-	-	-	(2,439)	(2,439)
Transfer between reserves	-	-	-	-	(43)	43	-
Other movements	-	-	-	-	-	(19)	(19)
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>(49)</b>	<b>(41)</b>	<b>(2,340)</b>	<b>(2,393)</b>
<b>Balance at 31 December 2019</b>	<b>8</b>	<b>6,415</b>	<b>(30)</b>	<b>(180)</b>	<b>43</b>	<b>47,732</b>	<b>53,988</b>

Rm	Consolidated								
	Share capital	Share premium	Property revaluation reserve	Liability credit reserves <sup>1</sup>	Translation reserves	Fair value reserve <sup>3</sup>	Retained earnings	Non-controlling interest	Total equity
<b>Balance at 1 January 2018</b>	8	6,415	73	-	51	-	37,433	48	44,028
Profit after tax	-	-	-	-	-	-	9,010	11	9,021
IFRS 9 Transitional adjustment	-	-	-	(29)	-	-	6	-	(23)
IFRS 15 Transitional adjustment	-	-	-	-	-	-	20	-	20
Other comprehensive income/(loss)	-	-	(70)	(102)	188	-	29	-	45
Issue of share capital	-	-	-	-	-	-	-	273	273
Dividends <sup>2</sup>	-	-	-	-	-	-	(4,421)	-	(4,421)
Transfer between reserves	-	-	(70)	-	-	-	70	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	44	44
Additions from previously unconsolidated business	-	-	-	-	-	-	(13)	-	(13)
Other movements	-	-	-	-	-	-	(85)	-	(85)
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>(140)</b>	<b>(131)</b>	<b>188</b>	<b>-</b>	<b>4,616</b>	<b>328</b>	<b>4,861</b>
<b>Balance at 31 December 2018</b>	<b>8</b>	<b>6,415</b>	<b>(67)</b>	<b>(131)</b>	<b>239</b>	<b>-</b>	<b>42,049</b>	<b>376</b>	<b>48,889</b>
Profit after tax	-	-	-	-	-	-	6,856	86	6,942
Other comprehensive income/(loss)	-	-	74	(49)	(376)	(94)	192	-	(253)
Dividends <sup>2</sup>	-	-	-	-	-	-	(2,439)	-	(2,439)
Transfer between reserves	-	-	-	-	(48)	-	(64)	112	-
Acquisition of subsidiary	-	-	-	-	-	-	-	7	7
Other movements	-	-	-	-	-	-	(112)	(241)	(353)
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>74</b>	<b>(49)</b>	<b>(424)</b>	<b>(94)</b>	<b>4,433</b>	<b>(36)</b>	<b>3,904</b>
<b>Balance at 31 December 2019</b>	<b>8</b>	<b>6,415</b>	<b>7</b>	<b>(180)</b>	<b>(185)</b>	<b>(94)</b>	<b>46,482</b>	<b>340</b>	<b>52,793</b>

<sup>1</sup> The Group recognises fair value gains and losses on the borrowed funds designated at fair value through profit or loss. The cumulative fair value gains and losses as a result of changes in the credit risk of the issued bonds are recognised in other comprehensive income and not in profit or loss. The balance of the total fair value gains and losses on these instruments is recognised in profit or loss. The Group released R13 million of the liability credit reserve directly into retained earnings on the repayment of the R1,000 million debt. Refer to note A2 for more information.

<sup>2</sup> The Company declared and paid dividends on ordinary shares amounting to R2,439 million (2018: R3,909 million) and dividends on preference shares amounting to Rnil million (2018: R512 million) during the year. The ordinary dividends for the year ended 31 December 2019 were paid in cash.

<sup>3</sup> The fair value reserve comprises all fair value adjustments relating to investments in debt and equity instruments of equity accounted associated undertakings that are subsequently measured at FVOCI within the financial statements of the associated undertakings.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## A: Significant accounting policies

### A1: Basis of preparation

#### 1.1 Statement of compliance

Old Mutual Life Assurance Company (South Africa) Limited (the Company) is a company incorporated in South Africa.

The financial statements for the year ended 31 December 2019 consolidate the results of the Company and its subsidiaries (together 'the Group') and equity account the Group's interest in associates and joint ventures (other than those held by investment-linked insurance funds and investments in venture capital divisions which are accounted for as investments at fair value through profit or loss).

The separate and consolidated financial statements (financial statements) comprise the consolidated and separate statements of financial position at 31 December 2019, the separate and consolidated income statement, the separate and consolidated statements of comprehensive income, the separate and consolidated statements of changes in equity and separate and consolidated statements of cash flows for the year ended 31 December 2019 and explanatory notes to the separate and consolidated financial statements are prepared on the going concern basis, which the directors believe is appropriate, taking into account the Group's most recent business plan and the capital and liquidity position. The financial statements were approved by the board of directors on 15 March 2020.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the IASB, including interpretations to IFRS as issued by the IFRS interpretations committee (IFRIC), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements, and requirements of the Companies Act, no 71 of 2008 (Companies Act).

The accounting policies and methods of computation applied in the preparation of these financial statements are consistent with those applied in the preparation of the Group's 2018 financial statements, except for standards, amendments to standards and interpretations adopted in the 2019 financial statements. Refer to note J for more information.

#### 1.2 Comparative information

Comparative information presented at and for the year ended 31 December 2018 within these financial statements has been correctly extracted from the Group's audited financial statements for the year ended 31 December 2018 (prior year financial statements).

#### 1.3 Accounting policy elections

The following significant accounting policy elections have been made by the Company:

Area	Details
<b>Financial instruments</b>	The Group has elected to designate certain financial assets and liabilities at fair value through profit or loss to reduce the accounting mismatch that would arise otherwise. This measurement election is typically utilised in respect of financial assets held to support liabilities in respect of contracts with policyholders. Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting.
<b>Investment properties</b>	The Group has elected to recognise all investment properties at fair value, with changes in fair value being recognised in profit or loss.
<b>Property, plant and equipment</b>	Land and buildings are stated at revalued amounts, being fair value less subsequent depreciation and impairment. Revaluation surpluses are recognised in equity, through other comprehensive income. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained earnings. Plant and equipment are carried at cost less accumulated depreciation.
<b>Investment in venture capital divisions and investment-linked insurance funds</b>	In venture capital divisions and investment-linked insurance funds, the Group has elected to carry associate and joint-venture entities at fair value through profit or loss.
<b>Policyholder liabilities: insurance contracts and investment contracts with discretionary participating features</b>	Although not an accounting policy election, the measurement of policyholder liabilities under IFRS 4 Insurance Contracts currently refers to existing local practice. In South Africa, the valuation basis of such policyholder liabilities is made in accordance with the Financial Soundness Valuation basis as set out in actuarial guidance issued by the Actuarial Society of South Africa in Standard of Actuarial Practice (SAP) 104. Under this guidance, provisions are valued using realistic expectations of future experience, with margins for prudence and deferral of profit emergence. For territories outside of South Africa, local actuarial practices and methodologies are applied.
<b>Investments in subsidiaries, associated undertakings and joint ventures</b>	The Group has elected to recognise these investments at fair value in the Company financial statements.

#### 1.4 Foreign currency translation

##### Translation of foreign operations into the Group's presentation currency

The assets and liabilities held by foreign branches to support liabilities in respect of contracts with policyholders are translated from their respective functional currencies into the Group's presentation currency, using the period-end exchange rates, and their income and expenses using the average exchange rates for the year. Cumulative unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity. Upon the disposal of subsidiaries, the cumulative amount of exchange differences deferred in shareholders' equity, net of attributable amounts in relation to hedged net investments, is recognised in profit or loss.

The exchange rates used to translate the operating results, assets and liabilities of key foreign businesses to rand are:

	Year ended 31 December 2019		Year ended 31 December 2018	
	Income statement (average rate)	Statement of financial position (closing rate)	Income statement (average rate)	Statement of financial position (closing rate)
Pound sterling	18.4482	18.5598	17.6892	18.2978
US dollar	14.4492	14.0000	13.2500	14.3467

### A2: Significant corporate activity and business changes during the year

#### Acquisitions during the year

On 4 July 2019, Old Mutual Real Estate Holding Company (Proprietary) Limited, through its subsidiaries Lions Head Investments E.A.D and Lions Head Romania Holdco EOOD, purchased 100% of the equity of Portland Trust Developments Three s.r.l for a total cash consideration of €10 million (R158 million). The transaction has been accounted for in terms of IFRS 3 'Business Combinations' and a full purchase price allocation will be performed within twelve months.

The fair value of the net assets purchased was €12 million (R191 million). Consequently, a gain on bargain purchase of €2 million (R25 million) has been recognised in profit or loss. Included in the net assets acquired are investment properties with a fair value of €58 million (R923 million), other assets of €6 million (R96 million) cash and cash equivalents of €3 million (R44 million), bank and other loan liabilities of €48 million (R761 million) and other liabilities of €7 million (R111 million).

This acquisition consists largely of investment property that will form part of the Group's long term insurance policyholder investment portfolio, backing linked and with profit investment contract liabilities.

#### Financing activities during the year

On 11 June 2019, Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA) issued R2 billion floating rate subordinated debt instruments under the R10 billion Unsecured Subordinated Note Programme as guaranteed by Old Mutual Limited dated 23 May 2019. These instruments have a coupon rate of 3 month Johannesburg Interbank Average Rate (JIBAR) plus 155 bps, payable quarterly in arrears. The maturity date of these instruments is 11 June 2024.

On 27 November 2019, OMLACSA repaid a R300 million unsecured subordinated callable fixed rate note, including a final coupon of R16 million and a R700 million unsecured subordinated callable floating rate note, including a final coupon of R14 million. Both these instruments had a first call date of 27 November 2019. Refer to note F3 for more information. The Group released R13 million liability credit reserve directly to retained earnings on repayment of this debt.

### A3: Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The critical accounting estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the preparation of the consolidated financial statements of Old Mutual Life Assurance Company (South Africa) Limited for the year ended 31 December 2019, with the exception of certain judgements made in respect of the fair value of property assets as outlined below in note G2(a) and the implementation of IFRS 16 - 'Leases' which is set out in note J.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## A: Significant accounting policies

### A3: Critical accounting estimates and judgements

The table below sets out the items that require the Group to make critical estimates and judgements in the application of the relevant accounting policy.

Critical Accounting Estimate	Accounting policy reference
Measurement of policyholder liabilities	F2
Fair value measurement of financial assets and liabilities	D1
Estimation of uncertain tax positions	C1
Investments in subsidiaries, associated undertakings and joint ventures	H1
Fair value of property assets	G2(b)
Impairment of goodwill and other intangible assets	G1

#### (a) Measurement of policyholder liabilities

The policyholder liabilities are generally calculated using discounted probability weighted projected cashflows, relying on a number of assumptions about future experience (e.g. policyholder mortality and persistency rates). These assumptions are monitored regularly against actual experience, both through the reported variances in the analysis of profits, as well as through more formal experience investigations (based on statistical analysis of historical policyholder data).

Assumptions are set on a long term basis, and are not expected to be changed frequently. Based on the analysis of past experience, and actuarial judgement around likely future trends, a current long term assumption may be an inappropriate representation of future expected experience. In this case a change is made to the long term assumption to set it at a more appropriate level. There may also be instances where a short term change in assumptions is indicated (e.g. if persistency rates over the next 3 years are likely to deviate from the long term assumptions, but is then expected to revert to the assumed long term level). A short term reserve will be created to ensure appropriate total reserves are held over this period of shortfall. This short term reserve will be released to offset the expected short term unusual experience as it emerges. The expected results of any future management interventions will also be taken into account where relevant. There is a strict governance process for making changes to the valuation assumptions (both short and long term). This process runs in the months before and after a valuation date, to ensure that only appropriate assumptions are included in that reporting period's policyholder liability calculations.

During the year we concluded several experience reviews across our life business in South Africa, the results of which were captured in our year end basis change process. We have also implemented several model and methodology improvements. At an overall level the net impact of these basis changes to our life profit was R946 million. Although positive at a total level, there were some significant segment profit impacts due to the differing risk profiles of each of the segments respective customer bases.

The table below summarises the basis and assumption changes made in 2019.

	Year ended 31 December 2019				Year ended 31 December 2018			
	Group Total	Mass and Foundation Cluster	Personal Finance	Old Mutual Corporate	Group Total	Mass and Foundation Cluster	Personal Finance	Old Mutual Corporate
<b>Rm</b>								
Non-economic basis changes	(43)	1,330	(1,447)	74	(13)	363	(355)	(21)
Economic basis changes	989	-	772	217	(1)	-	(1)	-
<b>Total basis changes</b>	<b>946</b>	<b>1,330</b>	<b>(675)</b>	<b>291</b>	<b>(14)</b>	<b>363</b>	<b>(356)</b>	<b>(21)</b>

The non-economic basis change reflects the net impact of changes in our mortality, persistency and expense assumptions and associated modelling.

We completed a review of our mortality basis across the South African life business. In Mass and Foundation Cluster, where we have seen recent periods of mortality profit, this resulted in a release of reserves, partially offset by an allocation of a portion of the value to our customers, consistent with our historic treatment of similar profits in the past. In Personal Finance, the mortality basis change was negative, reflecting both poor mortality experience in certain cohorts over recent periods and the impact of removing worsening cross subsidisation across cohorts.

Changes were also made to the persistency bases to recognise observed changes in persistency. In Mass and Foundation Cluster we had a negative impact from increasing early duration lapse assumptions, while in Personal Finance we had a negative impact from reducing longer duration lapse assumptions on Greenlight.

The Personal Finance mortality and persistency impact was partially offset by the positive impact of reserving for expected future premium increases on policies that reach the end of their premium guarantee term.

The economic basis changes mostly reflect the impact of a release from our investment guarantee reserves, supported by the introduction of an improved and recalibrated economic scenario generator (ESG), which is a key component in the modelling of our investment guarantee risk.

#### (b) Fair value of property assets

The Group has exposure to property assets through its investments in investment property and owner occupied properties in South Africa and Eastern Europe. The valuation of the Group's property portfolio, requires significant judgement due to the current economic conditions prevailing in these regions, especially around reversionary capitalisation rates and rental levels. Methodologies used to determine and assess the fair value of property assets include discounted cash flow and income capitalisation models. The fair value of each property asset is determined based on the most appropriate valuation applicable to the specific market and economy in which it is invested and the particulars of the property itself. All material property asset valuations in the Group are reviewed by Group and independent external valuation experts on a regular basis. This could result in the Group concluding on a different valuation for the asset.

### A4: Liquidity analysis of the separate and consolidated statement of financial position

The separate and consolidated statements of financial position is in order of liquidity as is permitted by IAS 1 'Presentation of Financial Statements'.

Separate and consolidated statements of financial position captions generally expected to be recovered no more than 12 months after the reporting date are classified as current and as non-current if the expected recovery or settlement date is more than 12 months after the reporting date. The analysis of significant separate and consolidated statements of financial position captions into current and non-current are disclosed in the individual notes to which they relate.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## B: Segment information

### B1: Basis of segmentation

The Old Mutual Limited Group manages its business through six operational segments, which are supported by central shareholder activities and enabling functions.

Segments as presented represent the OMLACSA contribution to the segments of the Old Mutual Limited Group.

### B2: Consolidated income statement for the year ended 31 December 2019

Rm	Consolidated						Total
	Mass and Foundation Cluster	Personal Finance	Wealth and Invest-ments	Old Mutual Corporate	Other Group Activities	Consoli-dation of funds	
<b>Segment revenue</b>							
Gross earned premiums	12,366	14,018	13	30,097	(61)	-	56,433
Outward reinsurance	(40)	(1,278)	-	(891)	36	-	(2,173)
Net earned premiums	12,326	12,740	13	29,206	(25)	-	54,260
Investment returns	1,590	18,358	19,881	26,273	(199)	9,393	75,296
Fee and commission income, and income from service activities	110	3,279	4,391	348	(1,044)	-	7,084
Other income	34	66	117	333	499	24	1,073
<b>Segment expenses</b>							
Claims and benefits	(6,050)	(19,114)	(175)	(45,666)	127	-	(70,878)
Reinsurance recoveries	30	2,011	-	818	(71)	-	2,788
Net claims incurred (including change in insurance contract liabilities)	(6,020)	(17,103)	(175)	(44,848)	56	-	(68,090)
Change in investment contract liabilities	(5)	(7,821)	(16,919)	(3,906)	39	-	(28,612)
Credit impairment charges	1	(63)	5	9	(42)	-	(90)
Finance costs	(151)	(362)	(183)	(1,541)	1,643	-	(594)
Commission and other acquisition costs	(2,083)	(2,869)	(2,869)	(453)	977	(267)	(7,564)
Operating and administration expenses	(2,920)	(3,892)	(2,681)	(3,259)	(1,560)	(1,368)	(15,680)
Change in third party interest in consolidated funds	-	-	-	-	-	(7,782)	(7,782)
<b>Segment result</b>	<b>2,882</b>	<b>2,333</b>	<b>1,580</b>	<b>2,162</b>	<b>344</b>	<b>-</b>	<b>9,301</b>
Share of (losses)/gains of associated undertakings and joint ventures after tax	(14)	(28)	(13)	(137)	2,426	-	2,234
Impairment of investments in associated undertakings	17	33	16	164	(1,099)	-	(869)
Loss on disposal of subsidiaries and associated undertakings	-	-	-	-	(16)	-	(16)
<b>Profit before tax</b>	<b>2,885</b>	<b>2,338</b>	<b>1,583</b>	<b>2,189</b>	<b>1,655</b>	<b>-</b>	<b>10 650</b>

Rm	Consolidated						Total
	Mass and Foundation Cluster	Personal Finance	Wealth and Invest-ment	Old Mutual Corporate	Other Group Activities	Consoli-dation of funds	
<b>Segment revenue</b>							
Gross earned premiums	11,668	12,555	37	31,081	(407)	-	54,934
Outward reinsurance	(40)	(1,192)	-	(467)	-	-	(1,699)
Net earned premiums	11,628	11,363	37	30,614	(407)	-	53,235
Investment returns	92	2,077	(2,848)	2,094	1,043	5,351	7,809
Fee and commission income, and income from service activities	1	4,139	4,313	355	(799)	12	8,021
Other income	14	(430)	241	167	678	-	670
<b>Segment expenses</b>							
Claims and benefits	(4,607)	(10,020)	109	(29,739)	1,133	-	(43,124)
Reinsurance recoveries	28	1,108	-	605	-	-	1,741
Net claims incurred (including change in insurance contract liabilities)	(4,579)	(8,912)	109	(29,134)	1,133	-	(41,383)
Change in investment contract liabilities	(5)	972	3,654	1,585	13	-	6,219
Credit impairment charges	(1)	(1)	(4)	(5)	(3)	-	(14)
Finance costs	(73)	(178)	(75)	(721)	491	-	(556)
Commission and other acquisition costs	(1,882)	(2,981)	(2,421)	(370)	730	(41)	(6,965)
Operating and administration expenses	(2,806)	(4,029)	(2,226)	(2,732)	(2,534)	(490)	(14,817)
Change in third party interest in consolidated funds	-	-	-	-	-	(4,832)	(4,832)
<b>Segment result</b>	<b>2,389</b>	<b>2,020</b>	<b>780</b>	<b>1,853</b>	<b>345</b>	<b>-</b>	<b>7,387</b>
Share of gains of associates and joint ventures after tax	4	9	4	36	461	-	514
<b>Profit before tax</b>	<b>2,393</b>	<b>2,029</b>	<b>784</b>	<b>1,889</b>	<b>806</b>	<b>-</b>	<b>7,901</b>

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## B: Segment information

### B3: Segmental analysis – Statement of financial position

At 31 December 2019 Rm	Mass and Foun- dation Cluster	Personal Finance	Wealth and Invest- ments	Old Mutual Corporate	Other Group Activities	Consoli- dation of funds	Continuing Opera- tions	Assets held for sale	Total IFRS
<b>Total assets</b>	<b>14,848</b>	<b>200,911</b>	<b>190,313</b>	<b>278,311</b>	<b>40,325</b>	<b>79,938</b>	<b>804,646</b>	<b>516</b>	<b>805,162</b>
Policyholder liabilities	(11,968)	(168,643)	(185,234)	(246,184)	484	-	(611,545)	-	(611,545)
Life insurance contracts liabilities	81	(74,644)	(4)	(60,083)	431	-	(134,219)	-	(134,219)
Investment contract liabilities with discretionary participating features	(11,970)	(13,298)	(2,530)	(147,869)	-	-	(175,667)	-	(175,667)
Investment contract liabilities	(79)	(80,701)	(182,700)	(38,232)	53	-	(301,659)	-	(301,659)
Other liabilities	(2,131)	(30,151)	(3,673)	(31,784)	6,853	(79,938)	(140,824)	-	(140,824)
<b>Total liabilities</b>	<b>(14,099)</b>	<b>(198,794)</b>	<b>(188,907)</b>	<b>(277,968)</b>	<b>7,337</b>	<b>(79,938)</b>	<b>(752,369)</b>	<b>-</b>	<b>(752,369)</b>
<b>Net assets</b>	<b>749</b>	<b>2,117</b>	<b>1,406</b>	<b>343</b>	<b>47,662</b>	<b>-</b>	<b>52,277</b>	<b>516</b>	<b>52,793</b>

At 31 December 2018 Rm	Mass, and Foundation Cluster	Personal Finance	Wealth and Invest- ments	Old, Mutual Corporate	Other Group Activities	Consoli- dation of funds	Continuing Operations	Assets held for sale	Total IFRS
<b>Total assets</b>	20,226	199,305	188,162	269,956	945	78,655	757,249	-	757,249
Policyholder liabilities	(11,637)	(165,009)	(178,077)	(234,654)	13,055	-	(576,322)	-	(576,322)
Life insurance contracts liabilities	(910)	(73,861)	(3)	(62,530)	785	-	(136,519)	-	(136,519)
Investment contract liabilities with discretionary participating features	(10,647)	(12,796)	(2,564)	(138,651)	-	-	(164,658)	-	(164,658)
Investment contract liabilities	(80)	(78,352)	(175,510)	(33,473)	12,270	-	(275,145)	-	(275,145)
Other liabilities	(6,190)	(30,938)	(7,377)	(33,420)	24,305	(78,418)	(132,038)	-	(132,038)
<b>Total liabilities</b>	<b>(17,827)</b>	<b>(195,947)</b>	<b>(185,454)</b>	<b>(268,074)</b>	<b>37,360</b>	<b>(78,418)</b>	<b>(708,360)</b>	<b>-</b>	<b>(708,360)</b>
<b>Net assets</b>	<b>2,399</b>	<b>3,358</b>	<b>2,708</b>	<b>1,882</b>	<b>38,305</b>	<b>237</b>	<b>48,889</b>	<b>-</b>	<b>48,889</b>

### Accounting policies

The Group provides financial services, such as insurance and asset management services to customers. Fees and commission from asset management services are accounted for as revenue from contracts with customers, while revenue from insurance contracts are accounted for in accordance with the accounting policies for gross insurance premium revenue (F2). Investment returns (fair value gains or losses, interest income and dividend income) earned on behalf of shareholders and customers are recognised in accordance with the accounting policies for financial instruments (note D).

### Basic revenue recognition principle

The Group recognises revenue from contracts with customers based on the amount expected to be received from customers when the performance obligations agreed to by the Group have been satisfied. Performance obligations are satisfied through the transfer of the promised services to the customer. The Group transfers the promised service over time or at a point in time depending on the nature of the promised services. In the majority of instances, the performance obligations are satisfied as the Group renders the agreed financial services to our customers over time.

### Asset management

Revenue from asset management consists of asset management fees, performance fees and administration fees. Fees are recognised as revenue over time as the Group provides the services. When the Group receives up-front payments for services to be rendered in the future, the payments are accounted for as contract liabilities (deferred revenue liabilities).

If the amount of the fee can be reliably estimated, the Group recognises revenue over time as the services are rendered. If the fee cannot be reliably estimated, the recognition of fees based variables are delayed until significant uncertainty regarding the Group's entitlement to the fee and the measurement of the fee have been resolved.

Fee and commission income is earned through providing asset management and related investment administration services to our customers.

Fee and commission income is primarily based on funds-under-management, investment commitment values or amounts drawn from investors. Fee and commission income is generally recognised over time, on a monthly basis, as the services are rendered. Fee and commission income earned from collective investment schemes is recognised over time, on a daily basis, as the services are rendered.

Fee and commission income is generally realised during the first work week of the month succeeding the period of service. In some instances, fee and commission income is realised between 30 and 45 days in arrears or as agreed with customers. Fee and commission income is realised through a reduction from client's investment portfolio or through a separate invoice and collection process.

In some instances, an initial fee is charged to our clients when entering into an investment agreement with the Group. The initial fee is collected as a reduction from the initial amount invested with the Group or through a separate payment made by the client. Initial fees, which exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over periods between five and 10 years as the services are rendered.

The Group earns transaction fees from assisting customers with specific transactions on their portfolios. These fees are recognised when the transaction has been completed and are realised through a reduction in the client portfolio.

The Group earns a performance fee if certain performance thresholds and other criteria are met. The performance fee is deducted from the portfolio or is invoiced separately as per the terms of the contract.

The rate that the fee and commission income is charged at is agreed with customers in investment mandates.

### Contract assets and contract liabilities

A contract asset exists if the Group has recognised revenue, but the amount expected to be received is not yet due from the customer. Contract assets are measured at the amount of revenue recognised.

A contract liability (deferred revenue liability) exists if the Group has received or is entitled to consideration in advance of the Group satisfying the performance obligation. The contract liability represents the obligation to provide the agreed services to the customer. The contract liability is recognised as revenue as the Group satisfies the related performance obligation to the customer.

### Costs incurred in acquiring investment management service contracts

Incremental costs that are directly attributable to securing an investment management service contract are recognised as assets if the costs can be identified separately, measured reliably and it is probable that the costs will be recovered. Deferred acquisition costs represent the contractual right to benefit from providing investment management services and are amortised as the related revenue is recognised.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## C: Separate and consolidated income statement notes

### C1: Income tax expense

#### Current tax

Included within the tax charge are charges relating to:

- Normal income tax
- Taxes payable on behalf of policyholders
- Withholding tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and worldwide provisions for income tax necessarily involves a degree of estimation and judgement. At any given time the Group typically has a number of open tax returns with various tax authorities and engages in active dialogue to resolve this. Taxation provisions relating to these open items are recognised based on the Group's estimate of the most likely outcome, after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact profit or loss, current and deferred income tax assets and liabilities in the period such determination is made.

#### Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, where on the basis of all available evidence, it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted. In certain circumstances, as permitted by accounting guidance, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profits.

#### Significant accounting estimate and judgements – uncertain tax positions

The Group in the ordinary course of business enters into transactions that expose the Group to tax, legal and business risks. Judgement is involved in determining whether there are uncertain tax positions. The Revenue authorities in various jurisdictions in which the Group operates routinely review historic transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which they operate. All interpretations made by management are made with reference to the specific facts and circumstances of the transaction and the relevant legislation. There are occasions where the Group's interpretation of tax law may be challenged by the Revenue authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Board is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources required to fund such potential settlements are sufficient. Due to the level of estimation required in determining tax provisions amounts eventually payable may differ from the provision recognised.

#### IFRIC 23 Uncertainty over Income Tax Treatments

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

It requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

In assessing the impact of an uncertain tax position, the assumption was that a taxation authority will examine amounts, that it has a right to examine and will have full knowledge of all related information when making those examinations. Where applicable, the impact of IFRIC 23 on the respective legal entities in the Group have been considered and adequate amounts provided.

#### (a) Analysis of total income tax expense

The total income tax expense for the year comprises:

Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Current tax</b>				
South Africa	2,724	2,291	3,003	2,529
Withholding taxes	247	229	247	229
Adjustments to current tax in respect of prior years	69	31	70	34
<b>Total current tax</b>	<b>3,040</b>	<b>2,551</b>	<b>3,320</b>	<b>2,792</b>
<b>Deferred tax</b>				
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	965	(3,974)	393	(3,910)
Adjustments to deferred tax in respect of prior years	(7)	2	(5)	(2)
<b>Total deferred tax</b>	<b>958</b>	<b>(3,972)</b>	<b>388</b>	<b>(3,912)</b>
<b>Total income tax expense</b>	<b>3,998</b>	<b>(1,421)</b>	<b>3,708</b>	<b>(1,120)</b>
<b>Attributable to</b>				
Shareholder funds	2,188	(1,637)	2,247	(1,471)
Policyholder funds	1,810	216	1,461	351
<b>Total income tax expense</b>	<b>3,998</b>	<b>(1,421)</b>	<b>3,708</b>	<b>(1,120)</b>

#### (b) Reconciliation of total income tax expense

The income tax expense charged to profit or loss differs from the income tax expense that would apply if all of the Group's profits from continuing operations from the different tax jurisdictions had been taxed at the South African standard corporation tax rate. The difference in the effective rate of the continuing operations is explained below:

Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Profit before tax</b>	<b>4,365</b>	<b>8,599</b>	<b>10,650</b>	<b>7,901</b>
Tax at South African standard rate of 28.0% (2018: 28.0%)	1,222	2,408	2,982	2,212
Untaxed and low taxed income <sup>1</sup>	1,213	(3,770)	(910)	(3,381)
Disallowable expenses <sup>2</sup>	213	(151)	532	(131)
Adjustments to current tax in respect of prior years	47	(64)	47	(70)
Net movement on deferred tax assets not recognised	–	–	7	1
Adjustments to deferred tax in respect of prior years	–	–	3	(5)
Income tax attributable to policyholder returns	1,303	156	1,048	248
Other	–	–	(1)	6
<b>Total income tax expense</b>	<b>3,998</b>	<b>(1,421)</b>	<b>3,708</b>	<b>(1,120)</b>

<sup>1</sup> Includes exempt income, capital gains taxed at lower than the corporate tax rate and non-taxable fair value movements.

<sup>2</sup> Disallowable expenses include impairments, provisions and non-deductible expenses.



## Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

### C: Separate and consolidated income statement notes

#### C1: Income tax expense

##### (c) Income tax relating to components of other comprehensive income

The total income tax expense relating to items recognised in other comprehensive income for the year comprises of the following:

Rm	Separate		Consolidated	
	2019	2018	2019	2018
Measurement gains on defined benefit plans	(108)	–	31	12
Property revaluation reserve	15	(20)	15	(20)
<b>Income tax on items that will not be reclassified subsequently to profit or loss</b>	<b>(93)</b>	<b>(20)</b>	<b>46</b>	<b>(8)</b>
Income tax expense relating to components of other comprehensive income	(93)	(20)	46	(8)

#### C2: Investment return

Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Interest and similar income</b>	<b>8</b>	<b>10</b>	<b>8</b>	<b>10</b>
Loans and advances	21,168	20,618	23,273	19,922
Investments and securities	683	947	1,046	2,018
Cash and cash equivalents	21,859	21,575	24,327	21,950
<b>Total interest and similar income</b>	<b>21,859</b>	<b>21,575</b>	<b>24,327</b>	<b>21,950</b>
Dividend income – investments and securities	9,844	8,586	12,117	10,523
Fair value gains/(losses) recognised in profit or loss	26,575	(27,373)	36,028	(28,019)
Rental income from investment properties	176	159	2,714	2,610
Fair value (losses)/gains on the revaluation of investment property	(139)	(63)	(580)	712
Foreign currency gains	690	–	690	33
<b>Total amounts recognised in profit or loss</b>	<b>59,005</b>	<b>2,884</b>	<b>75,296</b>	<b>7,809</b>
Total interest income for assets not at fair value through profit or loss	42	63	42	63
The fair value gains/(losses) shown above are analysed according to their IFRS 9 categorisations as follows:				
Designated and mandatorily at fair value through profit or loss	26,575	(27,373)	36,028	(28,019)

#### C3: Fee and commission income, and income from service activities

This note analyses the fees and commission, earned by the Group, from negotiating, or participating in the negotiation of a transaction for third-parties, transaction and performance fees earned and movements in deferred origination fees.

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
Fee and commission income	4,962	6,061	7,029	8,004
Transaction and performance fees	–	–	39	41
Change in deferred revenue	–	(17)	16	(24)
	<b>4,962</b>	<b>6,044</b>	<b>7,084</b>	<b>8,021</b>

#### C4: Finance costs

Finance costs include interest payable, and gains and losses on revaluation of borrowed funds and on those derivative instruments which are used as economic hedges.

Rm	Note	Separate		Consolidated	
		2019	2018 (Re-presented) <sup>1</sup>	2019	2018 (Re-presented) <sup>1</sup>
<b>Interest on borrowed funds</b>		<b>661</b>	<b>577</b>	<b>661</b>	<b>577</b>
Interest on borrowed funds – Subordinated debt		661	577	661	577
<b>Fair value gains and losses on borrowed funds</b>		<b>(67)</b>	<b>(21)</b>	<b>(67)</b>	<b>(21)</b>
Borrowed funds <sup>1</sup>		12	(49)	(67)	(49)
Derivative instruments used as economic hedges		(79)	28	–	28
<b>Total finance costs on subordinated debt instruments</b>		<b>594</b>	<b>556</b>	<b>594</b>	<b>556</b>
The fair value gains shown above are analysed according to their IFRS 9 categorisations as follows:					
Designated and mandatorily at fair value through profit or loss		(67)	(21)	(67)	(21)

1. Finance costs for the year ended 31 December 2018 have been re-presented to only reflect those finance costs associated with the subordinated debt that support the capital structure of the Company and Group. As a result, finance costs of R540 million (separate) and R1,472 million (consolidated) that support the operating activities of the Company and Group have been re-presented within other operating and administrative costs.

#### C5: Fee and commission expenses, and other acquisition costs

This note analyses the fee and commission expenses and other acquisition costs.

Year ended 31 December Rm	Separate		Consolidation	
	2019	2018	2019	2018
Fee and commission expenses	4,723	4,466	5,135	4,630
Change in deferred acquisition costs	(23)	35	(5)	37
Other acquisition costs	2,427	2,287	2,434	2,298
	<b>7,127</b>	<b>6,788</b>	<b>7,564</b>	<b>6,965</b>

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## C: Separate and consolidated income statement notes

### C6: Other operating and administrative expenses

This note gives further detail on the items included within other operating and administrative expenses.

#### (a)(i) Other operating and administrative expenses include:

Rm	Notes	Separate		Consolidation	
		2019	2018 (Re-presented) <sup>1</sup>	2019	2018 (Re-presented) <sup>1</sup>
Staff costs	C6(b)	4,571	4,457	4,768	4,640
Computer, software and processing costs		1,264	1,263	1,285	1,283
Depreciation		436	236	448	243
Impairment of goodwill and other intangible assets		190	25	305	41
Amortisation of present value of acquired in-force business and other intangible assets		53	25	84	42
Operating lease rentals – (short term and low value leases)		9	239	10	241
Auditors' remuneration – fees for audit service		49	67	49	77
Auditors' remuneration – fees for non-audit service		5	–	5	–
Other		4,734	4,632	8,726	8,250
		<b>11,311</b>	<b>10,944</b>	<b>15,680</b>	<b>14,817</b>

<sup>1</sup> The year ended 31 December 2018 has been re-presented to allocate information technology costs of R1,076 million (separate and consolidated) previously reported in other, to computer, software and processing costs to better reflect the nature of these expenses.

#### (b) Staff costs

Rm	Notes	Separate		Consolidation	
		2019	2018 (Re-presented) <sup>1</sup>	2019	2018 (Re-presented) <sup>1</sup>
Wages and salaries		3,494	3,409	3,658	3,566
Social security costs		22	20	22	20
Retirement obligations		221	70	222	70
Bonus and incentive remuneration		410	295	435	311
Share-based payments					
Cash settled	12	229	524	230	530
Other		195	139	201	143
		<b>4,571</b>	<b>4,457</b>	<b>4,768</b>	<b>4,640</b>

<sup>1</sup> The year ended 31 December 2018 has been re-presented to remove capitalised staff costs totalling R1,193 million (separate and consolidated), included in wages and salaries, retirement obligations, bonus and incentive remuneration and other from the presentation within this note. These re-presentations did not have any impact on total staff costs, profit after tax or net assets.

### C7 Revenue from contracts with customers

Revenue from contracts with customers are dis-aggregated by primary segment and type of revenue. The Group believes it best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

Year ended 31 December 2019 Rm	Consolidated						Total
	Mass and Foundation Cluster	Personal Finance	Wealth and Investments	Old Mutual Corporate	Other Group Activities	Consoli- dation of funds	
<b>Revenue from contracts with customers</b>							
Fee and commission income	109	3,269	4,352	343	(1,044)	–	7,029
Transaction and performance fees	1	1	32	5	–	–	39
Change in deferred revenue	–	9	7	–	–	–	16
<b>Fee and commission income, and income from service activities</b>	<b>110</b>	<b>3,279</b>	<b>4,391</b>	<b>348</b>	<b>(1,044)</b>	<b>–</b>	<b>7,084</b>
<b>Non-IFRS 15 revenue</b>							
Insurance	12,326	12,740	13	29,206	(25)	–	54,260
Investment return and other income	1,624	18,424	19,998	26,606	300	9,417	76,369
<b>Total revenue from other activities</b>	<b>13,950</b>	<b>31,164</b>	<b>20,011</b>	<b>55,812</b>	<b>275</b>	<b>9,417</b>	<b>130,629</b>
<b>Total revenue</b>	<b>14,060</b>	<b>34,443</b>	<b>24,402</b>	<b>56,160</b>	<b>(769)</b>	<b>9,417</b>	<b>137,713</b>

Year ended 31 December 2018 Rm	Consolidated						Total
	Mass and Foundation Cluster	Personal Finance	Wealth and Investments	Old Mutual Corporate	Other Group Activities	Consoli- dation of funds	
<b>Revenue from contracts with customers</b>							
Fee and commission income	1	4,133	4,301	355	(798)	12	8,004
Transaction and performance fees	–	–	42	–	(1)	–	41
Change in deferred revenue	–	6	(30)	–	–	–	(24)
<b>Fee and commission income, and income from service activities</b>	<b>1</b>	<b>4,139</b>	<b>4,313</b>	<b>355</b>	<b>(799)</b>	<b>12</b>	<b>8,021</b>
<b>Non-IFRS 15 revenue</b>							
Insurance	11,628	11,363	37	30,614	(407)	–	53,235
Investment return and other income	106	1,647	(2,607)	2,261	1,721	5,351	8,479
<b>Total revenue from other activities</b>	<b>11,734</b>	<b>13,010</b>	<b>(2,570)</b>	<b>32,875</b>	<b>1,314</b>	<b>5,351</b>	<b>61,714</b>
<b>Total revenue</b>	<b>11,735</b>	<b>17,149</b>	<b>1,743</b>	<b>33,230</b>	<b>515</b>	<b>5,363</b>	<b>69,735</b>

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## D: Financial assets and liabilities

### Accounting policy

#### Classification and measurement of financial assets and financial liabilities

##### Initial recognition of financial assets

On initial recognition, a financial asset is classified and measured at:

- Amortised cost;
- Fair Value through Other Comprehensive Income (FVOCI) which may include debt or equity instruments; or
- Fair Value through Profit or Loss (FVTPL).

The classification of financial assets under IFRS 9 is based on whether the financial assets are equity instruments, debt instruments held or derivative assets. The classification and measurement of debt instruments is dependent on the business model in which the financial asset is managed and its contractual cash flow characteristics.

The business model refers to how the Group is managing its financial instruments to generate cash flows. Business model assessments are performed on shareholder and policyholder portfolios and consider investment mandates, how the portfolios are being managed to generate cash flows and performance indicators. The Group first assesses the business model before considering whether an instrument meets the definition of the contractual cash flow test. Only if the financial instruments are held in a business model to collect contractual cash flows or a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the cash flows characteristics test is performed.

Equity instruments held for trading and derivative assets are mandatorily categorised as financial assets at FVTPL. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not accounted for separately. Instead, the hybrid financial instrument as a whole is assessed for classification.

A debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as at FVTPL):

- it is held within a business model where the objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held in a 'hold to collect contractual cash flows business model' are managed to realise cash flows by collecting contractual payments over the life of the instrument.

A debt instrument is measured at FVOCI if it meets both of the following conditions (and is not designated as at FVTPL):

- it is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held in this type of business model are managed to realise cash flows by both collecting contractual cash flows and selling the financial instrument. Both these activities are fundamental to achieving the objective of the business model.

On initial recognition of an equity instrument that is not held for trading, the instrument may be irrevocably designated at FVOCI. In such an instance changes in the equity instrument's fair value are recorded in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All debt instrument financial assets that were not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a debt instrument financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transaction costs that are directly attributable to the acquisition of financial assets are expensed in profit or loss for financial assets initially classified at FVTPL. For financial assets not classified at FVTPL, transaction costs are added to or deducted from the fair value at initial recognition.

### Accounting policy

#### Subsequent measurement of financial assets

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

#### Initial recognition of financial liabilities

Financial liabilities not measured at FVTPL on initial recognition are measured at fair value less transaction costs that are incremental and directly attributable to the issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

#### Subsequent measurement of financial liabilities

Fair value movements attributable to changes in the credit risk of a financial liability designated at FVTPL is recorded in other comprehensive income and not recycled to profit or loss. On derecognition of the financial liability, the amount included in other comprehensive income is reclassified to retained earnings. The balance of the fair value movement is recorded in profit or loss.

Financial liabilities at amortised cost	These liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign currency exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial liabilities at fair value through profit or loss	These liabilities are subsequently measured at fair value. Net fair value gains and losses, including any interest expense are recognised in profit or loss.
Financial guarantee contracts	Financial guarantee contracts are subsequently measured at the higher of the expected credit loss allowance and the amount initially recognised, less cumulative income recognised to date.

## Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

### D: Financial assets and liabilities

#### D1: Categories of financial instruments

The analysis of financial assets and liabilities into their categories as defined in IFRS 9 'Financial Instruments' is set out in the tables below. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category.

Information about the methods and assumptions used in determining fair value is included in note D2.

At 31 December 2019 Rm	Separate			
	Total	Fair value through profit or loss	Amortised cost	Non-financial assets and liabilities
<b>Assets</b>				
Reinsurers' share of policyholder liabilities	1,424	–	–	1,424
Loans and advances	184	–	184	–
Investments and securities	671,196	670,413	783	–
Trade, other receivables and other assets	10,177	–	2,533	7,644
Derivative financial instruments	3,167	3,167	–	–
Amount due by Group companies	5,044	–	5,044	–
Cash and cash equivalents	6,784	–	6,784	–
Total assets that include financial instruments	697,976	673,580	15,328	9,068
Total other non-financial assets	9,627	–	–	9,627
<b>Total assets</b>	<b>707,603</b>	<b>673,580</b>	<b>15,328</b>	<b>18,695</b>
<b>Liabilities</b>				
Life insurance contract liabilities	133,358	–	–	133,358
Investment contract liabilities with discretionary participating features	175,667	–	–	175,667
Investment contract liabilities	299,018	297,896	1,122	–
Borrowed funds	7,122	7,122	–	–
Trade, other payables and other liabilities	27,103	–	18,408	8,695
Amount due to Group companies	1,411	–	1,411	–
Derivative financial instruments	4,837	4,837	–	–
Total liabilities that include financial instruments	648,516	309,855	20,941	317,720
Total other non-financial liabilities	5,099	–	–	5,099
<b>Total liabilities</b>	<b>653,615</b>	<b>309,855</b>	<b>20,941</b>	<b>322,819</b>

At 31 December 2019 Rm	Consolidated			
	Total	Fair value through profit or loss	Amortised cost	Non-financial assets and liabilities
<b>Assets</b>				
Investments in associated undertakings and joint ventures	26,709	–	–	26,709
Reinsurers' share of policyholder liabilities	1,683	–	–	1,683
Loans and advances	184	–	184	–
Investments and securities	696,636	696,636	–	–
Trade, other receivables and other assets	14,964	–	7,741	7,223
Derivative financial instruments	3,167	3,167	–	–
Amount due by Group companies	1,991	–	1,991	–
Cash and cash equivalents	19,182	–	19,182	–
Total assets that include financial instruments	764,516	699,803	29,098	35,615
Assets held for sale and distribution	516	–	–	516
Total other non-financial assets	40,130	–	–	40,130
<b>Total assets</b>	<b>805,162</b>	<b>699,803</b>	<b>29,098</b>	<b>76,261</b>
<b>Liabilities</b>				
Life insurance contract liabilities	134,219	–	–	134,219
Investment contract liabilities with discretionary participating features	175,667	–	–	175,667
Investment contract liabilities	301,659	300,537	1,122	–
Third-party interest in consolidated funds	76,008	76,008	–	–
Borrowed funds	7,122	7,122	–	–
Trade, other payables and other liabilities	44,721	–	36,151	8,570
Amount due to Group companies	1,435	–	1,435	–
Derivative financial instruments	4,874	4,874	–	–
Total liabilities that include financial instruments	745,705	388,541	38,708	318,456
Total other non-financial liabilities	6,664	–	–	6,664
<b>Total liabilities</b>	<b>752,369</b>	<b>388,541</b>	<b>38,708</b>	<b>325,120</b>

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## D: Financial assets and liabilities

### D1: Categories of financial instruments

At 31 December 2018 Rm	Separate			Non-financial assets and liabilities
	Total	Fair value through profit or loss	Amortised cost	
<b>Assets</b>				
Reinsurers' share of policyholder liabilities	524	–	–	524
Loans and advances	188	–	188	–
Investments and securities	625,750	625,040	710	–
Trade, other receivables and other assets	9,590	–	1,856	7,734
Derivative financial instruments	2,775	2,775	–	–
Amounts due by Group Companies	3,216	–	3,216	–
Cash and cash equivalents	6,216	–	6,216	–
Total assets that include financial instruments	648,259	627,815	12,186	8,258
Total other non-financial assets	8,655	–	–	8,655
<b>Total assets</b>	<b>656,914</b>	<b>627,815</b>	<b>12,186</b>	<b>16,913</b>
<b>Liabilities</b>				
Life insurance contract liabilities	135,425	–	–	135,425
Investment contract liabilities with discretionary participating features	164,658	–	–	164,658
Investment contract liabilities	261,250	260,186	1,064	–
Borrowed funds	6,048	6,048	–	–
Amounts due to Group companies	1,271	–	1,271	–
Trade, other payables and other liabilities	23,212	–	15,958	7,254
Derivative financial instruments	5,342	5,342	–	–
Total liabilities that include financial instruments	597,206	271,576	18,293	307,337
Total other non-financial liabilities	3,327	–	–	3,327
<b>Total liabilities</b>	<b>600,533</b>	<b>271,576</b>	<b>18,293</b>	<b>310,664</b>

At 31 December 2018 Rm	Consolidated			Non-financial assets and liabilities
	Total	Fair value through profit or loss	Amortised cost	
<b>Assets</b>				
Investments in associated undertakings and joint ventures	27,188	–	–	27,188
Reinsurers' share of policyholder liabilities	1,033	–	–	1,033
Loans and advances	188	–	188	–
Investments and securities	655,910	655,200	710	–
Trade, other receivables and other assets	13,895	–	2,978	10,917
Derivative financial instruments	2,795	2,795	–	–
Amounts due by Group Companies	1,832	–	1,832	–
Cash and cash equivalents	16,128	–	16,128	–
Total assets that include financial instruments	718,969	657,995	21,836	39,138
Total other non-financial assets	38,280	–	–	38,280
<b>Total assets</b>	<b>757,249</b>	<b>657,995</b>	<b>21,836</b>	<b>77,418</b>
<b>Liabilities</b>				
Life insurance contract liabilities	136,519	–	–	136,519
Investment contract liabilities with discretionary participating features	164,658	–	–	164,658
Investment contract liabilities	275,145	274,081	1,064	–
Third-party interest in consolidated funds	76,374	76,374	–	–
Borrowed funds	6,048	6,048	–	–
Trade, other payables and other liabilities	36,021	–	29,564	6,457
Amounts due to Group Companies	3,151	–	3,151	–
Derivative financial instruments	5,342	5,342	–	–
Total liabilities that include financial instruments	703,258	361,845	33,779	307,634
Total other non-financial liabilities	5,102	–	–	5,102
<b>Total liabilities</b>	<b>708,360</b>	<b>361,845</b>	<b>33,779</b>	<b>312,736</b>

### D2 Fair values of financial assets and liabilities

The description of the determination of fair value and the fair value hierarchies of financial assets and liabilities described in this section applies to financial assets and liabilities for all the Group's businesses.

#### (a) Determination of fair value

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used.

In general, the following inputs are taken into account when evaluating the fair value of financial instruments:

- Assessing whether instruments are trading with sufficient frequency and volume, that they can be considered liquid.
- The inclusion of a measure of the counterparties' non-performance risk in the fair-value measurement of loans and advances, which involves the modelling of dynamic credit spreads.
- The inclusion of credit valuation adjustment and debit valuation adjustment in the fair-value measurement of derivative instruments.
- The inclusion of own credit risk in the calculation of the fair value of financial liabilities.

There have been no significant changes in the valuation techniques applied when valuing financial instruments. The general principles applied to those instruments measured at fair value are outlined below:

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## D: Financial assets and liabilities

### D2 Fair values of financial assets and liabilities

#### (a) Determination of fair value

##### Reinsurers' share of policyholder liabilities

Reinsurers' share of policyholder liabilities are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Reinsurance contracts which cover financial risk are measured at fair value of the underlying assets.

##### Investments and securities

Investments and securities include government and government-guaranteed securities, listed and unlisted debt securities, preference shares and debentures, listed and unlisted equity securities, listed and unlisted pooled investments (see below), short-term funds and securities treated as investments, and certain other securities.

Pooled investments represent the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles. Pooled investments are recognised at fair value. The fair values of pooled investments are based on widely published prices that are regularly updated or models based on the market prices of investments held in the underlying pooled investment funds.

Other investments and securities that are recognised at fair value are measured at observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising one or more of the following techniques: discounted cash flows, the application of an EBITDA multiple or any other relevant technique.

##### Investments in associated undertakings and joint ventures held by investment-linked insurance funds and venture capital divisions

Investments in associated undertakings and joint ventures are valued using appropriate valuation techniques. These techniques may include price earnings multiples, discounted cash flows or the adjusted value of similar completed transactions.

##### Derivative financial instruments

The fair value of derivatives is determined with reference to the exchange traded prices of the specific instruments. In situations where the derivatives are traded over the counter the fair value of the instruments is determined by using the discounted cash flows or any other relevant technique.

##### Investment contract liabilities

The fair value of the investment contract liabilities is determined with reference to the fair value of the underlying funds that are held by the Group.

##### Third-party interest in consolidation of funds

Third-party interests in consolidation of funds are measured at the attributable net asset value of each fund.

##### Borrowed funds

The fair values of amounts included in borrowed funds are based on quoted market prices at the reporting date where applicable. In absence of observable market prices, borrowed funds are fair valued using discounted cashflows or any other relevant technique.

##### Other financial assets and liabilities

The fair values of other financial assets and liabilities (comprising cash and cash equivalents; cash with central banks; trade, other receivables and other assets; and trade, other payables, other liabilities and advances due to and from Group companies) reasonably approximate their carrying amounts as included in the statement of financial position as they are short-term in nature or re-priced to current market rates frequently.

#### (b) Fair value hierarchy

Fair values are determined according to the following hierarchy:

Description of hierarchy	Types of instruments classified in the respective levels
<b>Level 1</b> – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, listed government securities and other listed debt securities and similar instruments that are actively traded, actively traded pooled investments, listed borrowed funds, reinsurers' share of policyholder liabilities and investment contract liabilities directly linked to other Level 1 financial assets.
<b>Level 2</b> – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data, with a majority determined with reference to observable prices.  Certain loans and advances, certain privately placed debt instruments, third-party interests in consolidated funds.
<b>Level 3</b> – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.	Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active and derivatives embedded in certain portfolios of insurance contracts where the derivative is not closely related to the host contract and the valuation contains significant unobservable inputs.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process. All businesses have significant processes in place to perform reviews of the appropriateness of the valuation of Level 3 instruments.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

#### (c) Transfer between fair value hierarchies

The Group deems a transfer to have occurred between Level 1 and Level 2 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine fair value of the instrument become unobservable.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## D: Financial assets and liabilities

### D3 Disclosure of financial assets and liabilities measured at fair value

#### (a) Financial assets and liabilities measured at fair value, classified according to fair value hierarchy

The table below presents a summary of the financial assets and liabilities that are measured at fair value in the statements of financial position according to their IFRS 9 classification:

At 31 December 2019 Rm	Separate			
	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>				
Investments and securities	670,413	327,949	289,030	53,434
Derivative financial instruments – assets	3,167	–	3,167	–
<b>Total financial assets measured at fair value</b>	<b>673,580</b>	<b>327,949</b>	<b>292,197</b>	<b>53,434</b>
<b>Financial liabilities measured at fair value</b>				
Investment contract liabilities	297,896	133,733	164,163	–
Borrowed funds	7,122	–	7,122	–
Derivative financial instruments – liabilities	4,837	–	4,837	–
<b>Total financial liabilities measured at fair value</b>	<b>309,855</b>	<b>133,733</b>	<b>176,122</b>	<b>–</b>

At 31 December 2018 Rm	Separate			
	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>				
Investments and securities	625,040	313,795	259,796	51,449
Derivative financial instruments – assets	2,775	–	2,775	–
<b>Total financial assets measured at fair value</b>	<b>627,815</b>	<b>313,795</b>	<b>262,571</b>	<b>51,449</b>
<b>Financial liabilities measured at fair value</b>				
Investment contract liabilities	260,186	118,565	141,621	–
Borrowed funds	6,048	–	6,048	–
Derivative financial instruments – liabilities	5,342	–	5,342	–
<b>Total financial liabilities measured at fair value</b>	<b>271,576</b>	<b>118,565</b>	<b>153,011</b>	<b>–</b>

At 31 December 2019 Rm	Consolidated			
	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>				
Investments and securities	696,636	375,221	294,721	26,694
Derivative financial instruments – assets	3,167	–	3,167	–
<b>Total financial assets measured at fair value</b>	<b>699,803</b>	<b>375,221</b>	<b>297,888</b>	<b>26,694</b>
<b>Financial liabilities measured at fair value</b>				
Investment contract liabilities	300,537	133,761	166,776	–
Third-party interests in consolidated funds	76,008	–	76,008	–
Borrowed funds	7,122	–	7,122	–
Derivative financial instruments – liabilities	4,874	–	4,874	–
<b>Total financial liabilities measured at fair value</b>	<b>388,541</b>	<b>133,761</b>	<b>254,780</b>	<b>–</b>

At 31 December 2018 Rm	Consolidated			
	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>				
Investments and securities	655,200	408,272	217,636	29,292
Derivative financial instruments – assets	2,795	–	2,795	–
<b>Total financial assets measured at fair value</b>	<b>657,995</b>	<b>408,272</b>	<b>220,431</b>	<b>29,292</b>
<b>Financial liabilities measured at fair value</b>				
Investment contract liabilities	274,081	118,565	155,516	–
Third-party interests in consolidated funds	76,374	–	76,374	–
Borrowed funds	6,048	–	6,048	–
Derivative financial instruments – liabilities	5,342	–	5,342	–
<b>Total financial liabilities measured at fair value</b>	<b>361,845</b>	<b>118,565</b>	<b>243,280</b>	<b>–</b>

During the current year, Investment and securities to the value of R8,944 million were reclassified from level 1 to level 2 and R3,963 million reclassified from level 2 to level 1, in the separate and consolidated disclosure, to better reflect the valuation technique used to value these investments.

For the year ended 31 December 2018, investment contract liabilities to the value of R118,565 million were reclassified from level 2 to level 1 in the separate and consolidated disclosure, to better reflect the valuation technique used to value these liabilities.

#### (b) Level 3 fair value hierarchy disclosure

The tables below reconcile the opening balances of Level 3 financial assets and liabilities to closing balances at the end of the year.

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Level 3 financial assets – Investments and securities</b>				
At beginning of the year	51,449	48,278	29,292	15,713
Total net fair value (losses)/gains recognised in profit or loss	(354)	374	(4,652)	(589)
Purchases and issues	3,444	3,909	3,147	3,626
Sales and settlements	(2,851)	(3,198)	(2,851)	(3,010)
Transfers in	1,788	1,992	1,788	1,992
Transfers out	(98)	–	(98)	–
Foreign exchange and other	56	94	68	93
Transfers due to consolidation of funds	–	–	–	11,467
<b>Total Level 3 financial assets</b>	<b>53,434</b>	<b>51,449</b>	<b>26,694</b>	<b>29,292</b>
Unrealised fair value gains/(losses) relating to assets held at 31 December recognised in profit or loss	132	644	132	(319)

At 31 December 2019, Level 3 assets comprised unlisted private company shares, unlisted debt securities and unlisted pooled investments mainly held by policyholder funds for which the majority of the investment risk is borne by policyholders.

During the year Investments and securities to the value of R1,788 million were reclassified from Level 2 to Level 3 to better reflect the valuation technique used to value these investments.

During the year Investments and securities to the value of R98 million were reclassified from Level 3 to Level 2 in the separate disclosure to better reflect the valuation technique used to value these investments.

For all reporting periods, the Group did not have any Level 3 financial liabilities.

#### (c)(i) Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## D: Financial assets and liabilities

### D4: Financial instruments designated as fair value through profit or loss

#### (c)(i) Effect of changes in significant unobservable assumptions to reasonable possible alternatives

When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually.

The valuations of the private equity investments are performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. In determining the valuation of the investment the principal assumption used is the valuation multiples applied to the main financial indicators (such as adjusted earnings). The source of these multiples may include multiples for comparable listed companies which have been adjusted for discounts for non-tradability and valuation multiples earned on transactions in comparable sectors.

The valuations of asset-backed securities are determined by discounted cash flow models that generate the expected value of the asset, incorporating benchmark information on factors such as prepayment patterns, default rates, loss severities and the historical performance of the underlying assets. The outputs from the models used are calibrated with reference to similar securities for which external market information is available.

Structured notes and other derivatives are generally valued using option pricing models. For structured notes and other derivatives, principal assumptions concern the future volatility of asset values and the future correlation between asset values. For such unobservable assumptions, estimates are based on available market data, which may include the use of a proxy method to derive a volatility or correlation from comparable assets for which market data is more readily available, and examination of historical levels.

Details of the valuation techniques applied to the different categories of financial instruments can be found in note D2.

For Level 3 investments and securities, the fair value measurement sensitivity to changes in unobservable inputs are R5,870 million (2018: R3,056 million) favourable and R5,265 million (2018: R2,764 million) unfavourable in the separate financial statements and R2,056 million (2018: R1,898 million) favourable and R1,848 million (2018: R1,886 million) unfavourable in the consolidated financial statements.

Key inputs and assumptions used in the valuation models include discount rates (with the reasonably possible alternative assumptions calculated by increasing/decreasing the discount rate by 10%) and price earnings ratio (with the reasonably possible alternative assumptions calculated by increasing/decreasing the price earnings ratio by 10%).

Level 2 instruments are valued based on discounted projected cash flows, relative yields, or cost basis with reference to market-related inputs. Main inputs used for level 2 valuations include bond curves, interbank swap interest rate curves, and the forecasted consumer price index.

#### (c)(ii) Analysis of investments and securities classified as Level 3 hierarchy

The following table sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as Level 3.

Valuation technique	Significant unobservable input	Range of unobservable inputs
Discounted cash flow (DCF)	Risk adjusted discount rate:	
	– Equity risk premium	3.0% – 7.0%
	– Liquidity discount rate	5.0% – 30.0%
	– Nominal risk free rate	6.7% – 9.7%
Price earnings (PE) model/multiple/embedded value	PE ratio/multiple	1.2 – 11.2 times
Sum of parts	PE ratio and DCF	See PE ratio and DCF

All the business segments have performed analysis of the impact of reasonable possible assumptions for unobservable inputs based on the specific characteristics of each instrument. As all the changes in assumptions are unique to each instrument, the disclosure of the range of changes in the assumptions would not provide the reader of the financial statements with any additional useful information as this is general information and does not relate to a specific instrument.

Certain borrowed funds that would otherwise be categorised as financial liabilities at amortised cost under IFRS 9, have been designated as fair value through profit or loss. Information relating to the change in fair value of these items as it relates to credit risk is shown in the table below.

Separate and consolidated Rm	Change in fair value due to change in credit risk			
	Fair value	Current financial year	Cumulative <sup>1</sup>	Contractual maturity amount
<b>Borrowed funds at 31 December 2019</b>	<b>7,122</b>	<b>62</b>	<b>180</b>	<b>7,000</b>
Borrowed funds at 31 December 2018	6,048	131	131	6,000

<sup>1</sup> The Group released R13 million of the liability credit reserve directly to retained earnings on the repayment of the R1,000 million unsecured subordinated debt. Refer to note A2 for more information.

The fair values of other categories of financial liabilities designated as fair value through profit or loss do not change significantly in respect of credit risk.

The change in fair value due to credit risk of financial liabilities designated at fair value through profit or loss has been determined as the difference between fair values determined using a liability curve (adjusted for credit) and a risk-free liability curve. This difference is cross-checked to market-related data on credit spreads, where available. The basis for not using credit default swaps to determine the change in fair value due to credit risk is the unavailability of reliable market priced instruments.

### D5: Fair value hierarchy for assets and liabilities not measured at fair value

Certain financial instruments of the Group are not carried at fair value, principally investments and securities, loans and advances, certain borrowed funds and other financial assets and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments represents the Group's best estimate of the value at which these financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date. The Group's estimate of fair value does not necessarily represent the amount it would be able to realise on the sale of the asset or transfer the financial liability in an involuntary liquidation or distressed sale.

The table below shows the fair value hierarchy only for those assets and liabilities for which the fair value is different to the carrying value and which is being estimated for the purpose of IFRS disclosure. Additional information regarding these and other financial instruments not carried at fair value is provided in the narrative following the table.

Separate Rm	Carrying value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities</b>					
Investment and securities at 31 December 2019	<b>783</b>	–	<b>783</b>	–	<b>783</b>
Investment and securities at 31 December 2018	710	–	710	–	710

#### Investments and securities

For investments and securities presented within note D1 as amortised cost in terms of IFRS 9 and therefore not carried at fair value, the fair value has been determined based either on available market prices (Level 1) or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2).

#### Loans and advances

Loans and advances presented within note E1 as amortised cost in terms of IFRS 9, and therefore not carried at fair value, principally comprise variable rate financial assets and are classified as Level 3. The interest rates on these variable-rate financial assets are adjusted when the applicable benchmark interest rates change.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposals of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The Group is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

In the current year the group has changed the manner in which it presents the fair value of financial assets not measured at fair value as this is a more appropriate manner of presentation.

### D6 Master netting or similar agreements

The Group offsets financial assets and liabilities in the consolidated statement of financial position when it has a legal enforceable right to do so and intends to settle on a net basis simultaneously. Certain master netting agreements do not provide the Group with the current legally enforceable right to offset the instruments.



# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## D: Financial assets and liabilities

### D6 Master netting or similar agreements

The majority of these transactions are governed by the principles of International Swaps and Derivatives Association or similar type of agreements. These agreements aim to protect the parties in the event of default.

At 31 December 2019 Rm	Separate				
	Gross amount of financial instrument	Amounts offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Amounts that may be netted off on the occurrence of a future event <sup>1</sup>	Position not available to be offset
<b>Financial assets</b>					
Derivative financial instruments – assets	3,167	–	3,167	(2,923)	244
Cash and cash equivalents	6,784	–	6,784	–	6,784
<b>Financial liabilities</b>					
Derivative financial instruments – liabilities	4,837	–	4,837	(2,923)	1,914

At 31 December 2018 Rm	Separate				
	Gross amount of financial instrument	Amounts offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Amounts that may be netted off on the occurrence of a future event <sup>1</sup>	Position not available to be offset
<b>Financial assets</b>					
Derivative financial instruments – assets	2,775	–	2,775	(2,613)	162
Cash and cash equivalents	6,216	–	6,216	–	6,216
<b>Financial liabilities</b>					
Derivative financial instruments – liabilities	5,342	–	5,342	(2,613)	2,729

At 31 December 2019 Rm	Consolidated				
	Gross amount of financial instrument	Amounts offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Amounts that may be netted off on the occurrence of a future event <sup>1</sup>	Position not available to be offset
<b>Financial assets</b>					
Derivative financial instruments – assets	3,167	–	3,167	(2,923)	244
Cash and cash equivalents	19,182	–	19,182	9	19,191
<b>Financial liabilities</b>					
Derivative financial instruments – liabilities	4,874	–	4,874	(2,923)	1,951

At 31 December 2018 Rm	Consolidated				
	Gross amount of financial instrument	Amounts offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Amounts that may be netted off on the occurrence of a future event <sup>1</sup>	Position not available to be offset
<b>Financial assets</b>					
Derivative financial instruments – assets	2,795	–	2,795	(2,613)	182
<b>Financial liabilities</b>					
Derivative financial instruments – liabilities	5,342	–	5,342	(2,613)	2,729

<sup>1</sup> This represents the amounts that could be offset in the event of default and includes collateral received/pledged at the reporting date. These arrangements are typically governed by master netting and collateral arrangements. Details of the Group's security lending arrangements can be found in note F1.

Cash and bond collateral amounts not offset against derivative assets and liabilities for Separate and Consolidated in the statement of financial position are R847 million (2018: R1,848 million).

## E: Financial risk and capital management

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts, customer deposits and borrowings), reinsurance assets and insurance liabilities. The key focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance operations. The most important components of financial risk are credit risk, market risk (arising from changes in equity, bond prices, interest and foreign exchange rates) and liquidity risk.

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of directors has established the Board Risk Committee (BRC), which is responsible for developing and monitoring the Group's risk management policies through the Group Risk Control Function. The BRC reports regularly to the Board of directors on its activities.

The Group's risk preferences and appetite limits are set out in the Risk Strategy document which describes specific risk preferences and metrics. This Risk Strategy is reviewed at a minimum at least annually by the Old Mutual Limited Board and subsidiary risk preferences and appetite limits may need to be adjusted accordingly.

The Group manages asset and liability mismatches within a Market Risk Management framework together with a Liquidity Risk Management framework, both approved by the Group Asset and Liability Committee (ALCO). The aim of the frameworks is to ensure the identification of the applicable risks across the Group and provide guidance on the management (including mitigation) of the risks in line with the Group Risk Strategy.

The principal mitigation technique with regards to market risk (and asset/liability mismatches) is to match appropriate assets with the liabilities arising from applicable insurance and investment contracts (i.e. non-participating, unit-linked and with profit products) translating the liabilities into financial risk and managing the shareholder investment portfolio within a set mandate considering the Group Risk Strategy.

For insurance contracts defined as non-profit (i.e. benefits not linked to underlying asset performance) and those with embedded derivatives (i.e. benefits consist of upside participation and downside protection) the resultant market, credit and liquidity risk exposures are borne by the shareholder. Appropriate hedging strategies (which include derivative instruments) ensure that these exposures are managed within appetite. The notes below explain how the financial risks are managed using the categories utilised in the Market Risk framework. Note F2 explains in more detail how insurance risk is managed.

### E1: Credit risk

Credit risk refers to the risk that a counterparty to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation to repay cash or deliver another financial asset. Losses incurred due to credit risk include actual losses from defaults, declines in the market value of the Group's assets due to credit rating downgrades and/or spread widening, or impairments and write-downs. Credit risk in the Group arises from trading and investing activities.

The Group also has material exposure through its insurance businesses where credit risk arises predominantly through the management of credit assets backing non-profit contracts (mostly annuity products), but also through direct credit exposure in shareholder capital. These credit assets are exposed to changes in the credit spreads, driven by either general market conditions, or counterparty-specific information.

The Group is also exposed to concentration risk within each business and between businesses, which is the risk of default by counterparties or in investments in which it has taken large positions, or which are highly correlated. The Group maintains limits on the values of transactions with single counterparties or investments in specific sectors.

The Group is also exposed to credit risk which results indirectly from activities undertaken in the normal course of business such as premium payments, outsourcing contracts, reinsurance, exposure from material suppliers and the lending of securities.

#### 1.1 Credit risk governance

Credit risk is monitored through the Old Mutual Limited Management Credit Risk Committee (MCRC), a subcommittee of the OMLACSA Balance Sheet Committee (BSC), to enable the Group Executive committee (Exco) to discharge their obligations in terms of the Group's aggregated credit risk appetites, exposures and risk management.

The scope and authority of the Committee extends to all activities of the Group in which credit or counterparty credit risks are present. This includes credit risk arising through insurance activities, encompassing both institutional and retail credit. The Committee relies on the work and reporting of the credit committees in the various credit-related businesses across the Group and assists the Exco to set and monitor credit policy and credit risk in the Group.

#### 1.2 Credit risk management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure.

The key objective of the Group's Level 1 credit policy is to establish and define the overall framework for the consistent and unified governance, oversight, identification, measurement, monitoring, reporting and management of credit risk and counterparty credit risk across Old Mutual. The Level 1 credit policy sets out the high-level principles which must be applied in this regard. Boards of subsidiaries engaging in business activities that take on credit or counterparty credit risk, in any form (in non-profit funds, asset-based fees, surplus assets, investment guarantee reserves or debtors) regardless of whether it is for the shareholders or policyholders, are required to adopt this policy and ensure all the applicable requirements are implemented and complied with unless it is expressly agreed otherwise.

The Group's Level 2 credit policies and frameworks apply to all businesses taking on credit risk and counterparty credit risk. The Level 2 credit risk policies and frameworks set out detailed requirements which must be applied in investment management business units. These Level 2 credit policies must be attested to by the business units or functions to which they apply. In addition, these Level 2 policies set out the roles and responsibilities for governance committees, business units, functions and individuals involved in credit risk management processes throughout the Group for the business units and functions within the scope of the policy.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## E: Financial risk and capital management

### E1: Credit risk

#### 1.2 Credit risk management

The Level 3 credit policies in the business units set out the detailed requirements for each business unit in alignment with the relevant Level 2 credit policy.

The Group manages its credit risk by having a comprehensive risk strategy for all risk types including credit risk, sound investment processes across single assets, single counterparties and aggregate credit portfolio, and comprehensive limit frameworks in place. The risk strategy includes a risk-return framework which sets the overall risk appetite and the risk appetite for specific risk types including credit risk.

Limit frameworks implemented places limits, where applicable, on single facilities, counterparties or groups of counterparties, industry segments, maturity bands and products and are based on both regulatory and economic risk considerations.

The Group ensures comprehensive mandates for the management of credit portfolios relating to insurance businesses are in place, including frameworks, policies and procedures to ensure the appropriate oversight of credit risk. The robust framework ensures a process for identifying, measuring, analysing, monitoring and reporting on risks, including a rigorous model risk governance framework and an independent group model validation capability. Credit risk management follows a rigorous operating model including governance committees, as well as group and business unit roles focused on the management and oversight of credit risk in accordance with Old Mutual Limited's Three Lines of Defense Model. The Group implements formalised and strict escalation processes relating to credit governance and the application, testing and monitoring of risk mitigation actions.

Each investment credit asset acquired follows a strict credit approval process, supported by a credit analysis considering both qualitative and quantitative aspects taking into account the risk return profile. This includes, inter alia, financial and industry analysis and risk assessments coupled with Environmental, Social and Governance analysis. Where applicable, external public credit ratings are considered and the credit quality of exposures are reviewed at least on an annual basis.

Risk monitoring ensures that the risk management approaches in place are effective. The Group employs an active risk monitoring approach both at Group Level and Business Unit (BU) level based on the stated risk appetite and corresponding limits set to manage credit risk. The Group monitors credit risk at a portfolio level (aggregated over the BUs) whilst BUs monitor credit risk on, inter alia, individual deal, mandate, fund, product, customer segment, regional, counterparty, economic sector category levels, whichever is applicable, as well as on a BU Portfolio level. Credit risk exposures are monitored and assessed using appropriate metrics, including trend analysis and communicated to the relevant governance and management committees. Credit risk is monitored against early warning thresholds and exposures are monitored against limits.

The ongoing monitoring and a proactive view of emerging risks are integrated in the granting of new credit. The credit risk appetite and limits are accordingly adjusted to manage the portfolio in view of actual and potential changes in macroeconomic conditions. Portfolio management actions exist in the investment credit asset environment to reduce the exposure to certain counterparties or industries based on this outlook.

Collateral is mainly used in the investment credit portfolios to mitigate the amount of credit risk taken. This is part of the process to ensure OMLACSA has appropriate legal protection in the event of default. Stricter loan covenant or higher levels or better quality collateral are required based on the counterparty and industry outlook.

Within the expected credit loss (ECL) process, the provision is monitored as part of the ongoing management of the underlying credit portfolio. This includes monitoring of the actual credit experience to the expected levels of the following components; default rates, recovery rates and movements between the different ECL stages. The impact of any changes in the ECL parameters is calculated and reported at business units level. These impacts, together with all other credit risk metrics are reported at the management risk credit committee (as subcommittee of the board) on a quarterly basis as part of a forward looking approach to manage credit risk given emerging risks, opportunities and the defined risk appetite. The financial impact of the ECL provision on each business unit is included in the monthly finance reporting process.

#### 1.3 Internal credit risk ratings

The Group uses internal credit risk ratings that reflect its assessment of the probability of default of individual counterparties in the investment businesses.

The assessment of credit risk across the Group relies on internally developed rating models to categorise exposures according to their probability of default. The rating models comprises 28 rating categories (OM1 to OM28). These ratings are determined by incorporating both qualitative and quantitative information that builds on information from established rating agencies like Standard & Poors and Moody's, supplemented with information specific to the counterparty and other external information that could affect the counterparty's behaviour.

At initial recognition, each risk exposure is allocated to the credit rating based on the available information about the counterparty. All exposures are subsequently monitored through general and tailored procedures. The data used to monitor these exposures include, but are not limited to, credit information from external rating agencies, changes in business and economic conditions, payment record and aging, customer behaviour, affordability metrics, utilisation of credit limits, probability of default or any other applicable quantitative and qualitative factors.

#### 1.4 Concentrations of credit risk

A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Group manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance assets.

#### 1.5 Exposure to credit risk: Financial assets at amortised cost and debt instruments at fair value through profit or loss

The Group holds collateral and other credit enhancements against certain of its credit exposures.

The following table sets out the maximum exposure to credit risk on financial assets within the scope of IFRS 9's impairment model and debt instruments measured fair value through profit or loss outside of the scope of IFRS 9's impairment model, as well as the impact of collateral and other credit enhancements on credit risk.

At 31 December 2019 Rm	Separate		
	Total financial assets	Within IFRS 9 ECL allowance scope	Outside of IFRS 9 ECL allowance scope
Loans and advances	184	184	–
Investments and securities	671,196	783	670,413
Government and government-guaranteed securities	71,084	–	71,084
Other debt securities, preference shares and debentures	85,744	783	84,961
Short-term funds and securities treated as investments	45,380	–	45,380
Other	468,988	–	468,988
Trade, other receivables and other assets	2,533	2,533	–
Derivative financial instruments – assets	3,167	–	3,167
Amount due by Group companies	5,044	5,044	–
Cash and cash equivalents	6,784	6,784	–

At 31 December 2018 Rm	Separate		
	Total financial assets	Within IFRS 9 ECL allowance scope	Outside of IFRS 9 ECL allowance scope
Loans and advances	188	188	–
Investments and securities	625,750	710	625,040
Government and government-guaranteed securities	66,290	–	66,290
Other debt securities, preference shares and debentures	85,372	710	84,662
Short-term funds and securities treated as investments	42,214	–	42,214
Other	431,874	–	431,874
Trade, other receivables and other assets	1,856	1,856	–
Derivative financial instruments – assets	2,775	–	2,775
Amount due by Group companies	3,216	3,216	–
Cash and cash equivalents	6,216	6,216	–

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## E: Financial risk and capital management

### E1: Credit risk

At 31 December 2019 Rm	Consolidated		
	Total financial assets	Within IFRS 9 ECL allowance scope	Outside of IFRS 9 ECL allowance scope
Loans and advances	184	184	–
Investments and securities	696,636	–	696,636
Government and government-guaranteed securities	89,896	–	89,896
Other debt securities, preference shares and debentures	88,848	–	88,848
Short-term funds and securities treated as investments	72,049	–	72,049
Other	445,843	–	445,843
Trade, other receivables and other assets	7,741	7,741	–
Derivative financial instruments – assets	3,167	–	3,167
Amount due by Group companies	1,991	1,991	–
Cash and cash equivalents	19,182	19,182	–

At 31 December 2018 Rm	Consolidated		
	Total financial assets	Within IFRS 9 ECL allowance scope	Outside of IFRS 9 ECL allowance scope
Loans and advances	188	188	–
Investments and securities	655,910	710	655,200
Government and government-guaranteed securities	81,478	–	81,478
Other debt securities, preference shares and debentures	87,030	710	86,320
Short-term funds and securities treated as investments	67,337	–	67,337
Other	420,065	–	420,065
Trade, other receivables and other assets	2,978	2,978	–
Derivative financial instruments – assets	2,795	–	2,795
Amount due by Group companies	1,832	1,832	–
Cash and cash equivalents	16,128	16,128	–

### 1.6 Collateral

#### (i) Financial collateral

The Group takes financial collateral to support exposures in its securities lending activities. Collateral held includes cash and debt securities. Cash collateral is included as part of cash equivalents. These transactions are entered into under terms and conditions that are standard industry practice to securities lending activities.

At 31 December 2019, the Group has bond collateral of R170 million (2018: Rnil million) and cash collateral of R1,870 million (2018: R2,677 million).

### 1.7 Credit quality analysis

The following tables set out information about the credit quality of debt and similar securities according to their credit rating (Moody's, Standard and Poors, or equivalent). These instruments are all measured at fair value and are therefore not in scope of expected credit loss. The total carrying amounts represent the maximum exposure to credit risk at the reporting date:

At 31 December 2019 Rm	Separate			
	Government securities	Other debt securities	Short term funds	Total
Investment grade (AAA to BBB)	60,115	54,009	40,112	154,236
Not rated	3	21,428	5,267	26,698
Sub investment grade (BB and lower)	10,966	10,307	1	21,274
<b>Total</b>	<b>71,084</b>	<b>85,744</b>	<b>45,380</b>	<b>202,208</b>

A 31 December 2018 Rm	Separate			
	Government securities	Other debt securities	Short term funds	Total
Investment grade (AAA to BBB)	63,427	43,921	35,148	142,496
Not rated	–	33,550	6,152	39,702
Sub investment grade (BB and lower)	2,863	7,901	914	11,678
<b>Total</b>	<b>66,290</b>	<b>85,372</b>	<b>42,214</b>	<b>193,876</b>

At 31 December 2019 Rm	Consolidated			
	Government securities	Other debt securities	Short term funds	Total
Investment grade (AAA to BBB)	60,115	54,009	40,122	154,246
Not rated	3	21,428	6,227	27,658
Sub investment grade (BB and lower)	10,966	10,753	94	21,813
Consolidation of funds	18,812	2,658	25,606	47,076
<b>Total</b>	<b>89,896</b>	<b>88,848</b>	<b>72,049</b>	<b>250,793</b>

A 31 December 2018 (Re-presented) <sup>1</sup> Rm	Consolidated			
	Government securities	Other debt securities	Short term funds	Total
Investment grade (AAA to BBB)	63,427	43,921	35,148	142,496
Not rated	–	33,549	15,975	49,524
Sub investment grade (BB and lower)	2,863	8,596	1,543	13,002
Consolidation of funds	15,188	964	14,671	30,823
<b>Total</b>	<b>81,478</b>	<b>87,030</b>	<b>67,337</b>	<b>235,845</b>

<sup>1</sup> The credit quality analysis disclosures for 2018 have been re-presented to better reflect the investment grades for each class of investment.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## E: Financial risk and capital management

### E2: Market risk

Market risk is the potential impact of unfavourable changes in foreign exchange rates, interest rates and equity price risk on the financial position and financial performance of the Group. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held, which in turn is driven by the nature of the business activities.

The Group has developed risk policies which set out the practices which are used to monitor and manage market risk. These policies are cascaded to business units across the Group. Each of the business units has its own established set of policies, principles and governance processes to monitor and manage market risk within its individual businesses and in accordance with local regulatory requirements.

Market risks on policies where the terms are guaranteed in advance and the investment risk is carried by the shareholders (e.g. guaranteed non-profit annuities) are predominantly matched with suitable dated interest-bearing assets which minimises interest rate risk and ensures adequate asset and liability matching.

Market risks on with-profit policies, where investment risk is shared between policyholders and shareholders, are minimised by appropriate bonus declaration practices and having suitable mandates for asset allocation (the stock selection and investment analysis process is supported by well-developed research functions). In addition, shareholder risk is further minimised through dynamically managed hedging strategies based on the risk attached to the various shareholder guarantees.

Market risk resulting from shareholder investments is managed through set asset allocation mandates in line with the Group Risk strategy.

Governance structures are in place to achieve effective independent monitoring and management of market risk.

Refer to note E5 for additional unaudited information on the Group's Embedded Value.

### 2.1: Currency translation risk

The Group has exposure to the risk that the fair value and future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

The Company operates in Hong Kong, Guernsey and Isle of Man through branches and in China through an associate. This creates an additional source of foreign currency risk which arises from the fact that the branches use USD and the joint venture the Chinese Yuan Renminbi as their functional currencies, whereas the functional currency of the Company is Rand.

At 31 December 2019 Rm	Separate					Total
	ZAR	GBP	USD	EUR	Other	
<b>Assets</b>						
Reinsurers' share of policyholder liabilities	1,424	–	–	–	–	1,424
Loans and advances	184	–	–	–	–	184
Investments and securities	536,195	11,362	118,377	3,313	1,949	671,196
Trade, other receivables and other assets	5,503	549	4,125	–	–	10,177
Derivative financial instruments – assets	3,161	–	6	–	–	3,167
Cash and cash equivalents	5,902	238	526	107	11	6,784
Total assets that include financial instruments	552,369	12,149	123,034	3,420	1,960	692,932
Total non-financial assets	14,429	41	201	–	–	14,671
<b>Total assets</b>	<b>566,798</b>	<b>12,190</b>	<b>123,235</b>	<b>3,420</b>	<b>1,960</b>	<b>707,603</b>
<b>Liabilities</b>						
Long term business insurance policyholder liabilities	556,826	8,788	40,983	1,255	191	608,043
Borrowed funds	7,122	–	–	–	–	7,122
Trade, other payables and other liabilities	20,454	823	5,768	56	2	27,103
Derivative financial instruments – liabilities	4,744	–	93	–	–	4,837
Total liabilities that include financial instruments	589,146	9,611	46,844	1,311	193	647,105
Total non-financial liabilities	5,447	28	1,034	1	–	6,510
<b>Total liabilities</b>	<b>594,593</b>	<b>9,639</b>	<b>47,878</b>	<b>1,312</b>	<b>193</b>	<b>653,615</b>

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## E: Financial risk and capital management

### E2: Market risk

At 31 December 2018 Rm	Separate					
	ZAR	GBP	USD	EUR	Other	Total
<b>Assets</b>						
Reinsurers' share of policyholder liabilities	524	-	-	-	-	524
Loans and advances	188	-	-	-	-	188
Investments and securities	504,186	8,513	107,676	2,411	2,964	625,750
Trade, other receivables and other assets	9,548	24	20	(2)	-	9,590
Derivative financial instruments – assets	2,775	-	-	-	-	2,775
Cash and cash equivalents	5,100	171	876	60	9	6,216
Total assets that include financial instruments	522,321	8,708	108,572	2,469	2,973	645,043
Total non-financial assets	11,619	-	252	-	-	11,871
<b>Total assets</b>	<b>533,940</b>	<b>8,708</b>	<b>108,824</b>	<b>2,469</b>	<b>2,973</b>	<b>656,914</b>
<b>Liabilities</b>						
Long term business insurance policyholder liabilities	519,132	7,814	28,396	3,212	2,779	561,333
Borrowed funds	6,048	-	-	-	-	6,048
Trade, other payables and other liabilities	22,435	181	583	13	-	23,212
Derivative financial instruments – liabilities	5,342	-	-	-	-	5,342
Total liabilities that include financial instruments	552,957	7,995	28,979	3,225	2,779	595,935
Total non-financial liabilities	4,545	-	53	-	-	4,598
<b>Total liabilities</b>	<b>557,502</b>	<b>7,995</b>	<b>29,032</b>	<b>3,225</b>	<b>2,779</b>	<b>600,533</b>

At 31 December 2019 Rm	Consolidated					
	ZAR	GBP	USD	EUR	Other	Total
<b>Assets</b>						
Investments in associated undertakings and joint ventures' undertakings	25,626	879	194	10	-	26,709
Reinsurers' share of policyholder liabilities	1,683	-	-	-	-	1,683
Loans and advances	184	-	-	-	-	184
Investments and securities	561,635	11,362	118,377	3,313	1,949	696,636
Trade, other receivables and other assets	10,080	549	4,170	165	-	14,964
Derivative financial instruments – assets	3,161	-	6	-	-	3,167
Cash and cash equivalents	17,958	284	654	275	11	19,182
Total assets that include financial instruments	620,327	13,074	123,401	3,763	1,960	762,525
Assets held for sale and distribution	516	-	-	-	-	516
Total non-financial assets	36,464	41	201	5,415	-	42,121
<b>Total assets</b>	<b>657,307</b>	<b>13,115</b>	<b>123,602</b>	<b>9,178</b>	<b>1,960</b>	<b>805,162</b>
<b>Liabilities</b>						
Long term business insurance policyholder liabilities	560,328	8,788	40,983	1,255	191	611,545
Third-party interest in consolidation of funds	76,008	-	-	-	-	76,008
Borrowed funds	7,122	-	-	-	-	7,122
Trade, other payables and other liabilities	31,221	1,690	8,790	3,018	2	44,721
Derivative financial instruments – liabilities	4,744	-	93	37	-	4,874
Total liabilities that include financial instruments	679,423	10,478	49,866	4,310	193	744,270
Total non-financial liabilities	6,721	49	1,058	271	-	8,099
<b>Total liabilities</b>	<b>686,144</b>	<b>10,527</b>	<b>50,924</b>	<b>4,581</b>	<b>193</b>	<b>752,369</b>

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## E: Financial risk and capital management

### E2: Market risk

At 31 December 2018 Rm	Consolidated					
	ZAR	GBP	USD	EUR	Other	Total
<b>Assets</b>						
Investments in associated undertakings and joint ventures' undertakings	26,326	862	-	-	-	27,188
Reinsurers' share of policyholder liabilities	1,033	-	-	-	-	1,033
Loans and advances	188	-	-	-	-	188
Investments and securities	533,906	8,512	108,117	2,411	2,964	655,910
Trade, other receivables and other assets	13,348	43	23	481	-	13,895
Derivative financial instruments – assets	2,795	-	-	-	-	2,795
Cash and cash equivalents	14,791	190	877	261	9	16,128
Total assets that include financial instruments	592,387	9,607	109,017	3,153	2,973	717,137
Total non-financial assets	35,390	-	252	4,470	-	40,112
<b>Total assets</b>	<b>627,777</b>	<b>9,607</b>	<b>109,269</b>	<b>7,623</b>	<b>2,973</b>	<b>757,249</b>
<b>Liabilities</b>						
Long term business insurance policyholder liabilities	533,729	7,814	28,788	3,212	2,779	576,322
Third-party interest in consolidation of funds	76,374	-	-	-	-	76,374
Borrowed funds	6,048	-	-	-	-	6,048
Trade, other payables and other liabilities	31,870	1,036	583	2,532	-	36,021
Derivative financial instruments – liabilities	5,342	-	-	-	-	5,342
Total liabilities that include financial instruments	653,363	8,850	29,371	5,744	2,779	700,107
Total non-financial liabilities	7,924	18	53	258	-	8,253
<b>Total liabilities</b>	<b>661,287</b>	<b>8,868</b>	<b>29,424</b>	<b>6,002</b>	<b>2,779</b>	<b>708,360</b>

The Group may reduce currency translation risk through the use of currency swaps, currency borrowings and forward foreign exchange contracts.

#### Sensitivity analysis

The following analysis is performed for reasonably possible movements in key variables, with all other variables held constant, showing the impact on, profit before tax, and equity due to changes in the fair value of currency-sensitive monetary assets and liabilities, including those relating to insurance and reinsurance contracts. The correlation of variables will have a significant effect in determining the ultimate impact of currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. The method used for deriving sensitivity information and significant variables did not change from the previous year:

Rm	Separate				
	Change in exchange rate	Impact on profit before tax		Impact on equity	
		Strengthening	Weakening	Strengthening	Weakening
<b>At 31 December 2019</b>					
<b>GBP</b>	<b>10%</b>	<b>(255)</b>	<b>255</b>	<b>(255)</b>	<b>255</b>
<b>USD</b>	<b>10%</b>	<b>(7,536)</b>	<b>7,536</b>	<b>(7,536)</b>	<b>7,536</b>
At 31 December 2018					
GBP	10%	(1,046)	871	(1,052)	877
USD	10%	(10,891)	10,891	(10,930)	10,930

Rm	Consolidated				
	Change in exchange rate	Impact on profit before tax		Impact on equity	
		Strengthening	Weakening	Strengthening	Weakening
<b>At 31 December 2019</b>					
<b>GBP</b>	<b>10%</b>	<b>(259)</b>	<b>259</b>	<b>(259)</b>	<b>259</b>
<b>USD</b>	<b>10%</b>	<b>(7,268)</b>	<b>7,268</b>	<b>(7,268)</b>	<b>7,268</b>
At 31 December 2018					
GBP	10%	(1,945)	961	(1,945)	961
USD	10%	(10,927)	10,927	10,927	10,927

### 2.2 Interest rate risk

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the Group's earnings and the value of its assets, liabilities and capital.

The Group has due regard to the nature of the liabilities and guarantees given to policyholders. As a rule, the interest rate risk of such liabilities is managed by investing in fixed interest assets of similar duration.

For guaranteed products that have a durational mismatch between premium inflows and benefit and expense outflows, mainly pure risk products, matching of assets and liabilities is complex and earnings are exposed to interest rate movements. Hedging strategies and a discretionary margin are in place to limit this exposure to interest rate movements.

For products with embedded guarantees, investment guarantee reserves (IGRs) are calculated on a market-consistent basis. These IGRs are very sensitive to movements in interest rates as well as the implied volatility of interest rates, with a reduction in interest rates and/or an adverse change (up or down depending on the product's exposure) in implied interest rate volatility increasing the reserves held. Economic hedging is largely in place to mitigate the impact of interest rate movements. A discretionary margin is also held for the potential ineffectiveness of such hedging strategies and for the movements in implied volatilities which are not currently hedged.

Investment guarantee reserves calculated on a market-consistent basis are very sensitive to movements in interest rates as well as the implied volatility of interest rates, with a reduction in interest rates or an increase in implied interest rate volatility increasing the reserves held. Economic hedging is largely in place to mitigate the impact of interest rate movements. A discretionary margin is also held for the potential ineffectiveness of such hedging strategies and for the movements in implied volatilities which are not currently hedged.

### 2.3 Equity price risk

Investments and securities are subject to equity price risk to the extent that the underlying asset allocation strategies include equity.

Where products have embedded guarantees, the shareholder shares in the equity price level should said guarantees "bite". The value of these guarantees are reflected in stochastically calculated IGRs on a market-consistent basis. IGRs are sensitive to movements in equity prices as well as implied equity volatility, with a reduction in equity prices and/or an increase in implied equity volatility typically increasing the reserves held. Economic hedging is in place to largely mitigate the impact of equity price movements. A discretionary margin is also held for the potential ineffectiveness of such hedging strategies and for the movements in implied volatilities which are not currently hedged.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## E: Financial risk and capital management

### E2: Market risk

Indirect shareholder exposure to equity price risk exists where fees earned on products (primarily smoothed bonus, with-profit annuities and unit-linked) are based on the underlying portfolio.

There is limited exposure to equity price risk in non-profit products as equity securities are generally not regarded as suitable to match such insurance obligations (where the main risk is interest rate risk).

Shareholder capital is also exposed to equity price risk due to related equity investments forming part of the Strategic Asset Allocation (or SAA) strategy. The exposure of SA shareholder capital investments to adverse movements in equity prices is mitigated to a large degree by the utilisation of equity hedging instruments.

### E3: Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial liability.

The principal subsidiaries are responsible for managing their own liquidity needs in line with the Group financial management framework. This allows the subsidiaries to withstand plausible, but severe stresses, taking into account any applicable local regulations. The work is overseen by the local subsidiary company's board, which for material subsidiaries includes Group representation. Liquidity is also held centrally to meet the liquidity demands as a listed holding company.

The Group liquidity position is monitored over a forecast period of 24 months. The Group's central liquidity risk appetite is to maintain a liquidity coverage ratio (available liquidity to required liquidity under stress) of at least 150% over the forecast period.

The embedding of the liquidity framework is most mature in South Africa and work is ongoing to embed the framework in the other territories.

The primary sources of liquidity risk are:

- Within the insurance businesses, the relatively illiquid nature of the insurance liabilities can provide a potential source of additional investment return by enabling the Group to invest in higher yielding but less liquid assets. The largest exposure of this nature relates to the annuity portfolios in OMLACSA where a combination of credit assets and swap instruments is used. The swap instruments give rise to collateral calls in a rising interest rate environment.
- Within the Group's central treasury function, the key liquidity risks relate to the balance between remittances received from the businesses either by way of operations or through capital items, compared to central costs including debt funding and/or capital or liquidity demands of the businesses.

The above risks are mitigated by a combination of holding ample readily accessible liquidity where the risks lie, whether these arise from shareholder commitments or policyholder liabilities, having access to contingent sources of liquidity such as the Group's revolving credit facility, management processes to monitor lending covenants and management actions to proactively remedy any deterioration in the covenant status and free up additional liquidity in case of a deteriorating external environment. In the event of a liquidity risk occurring the actual actions to be taken will be tailored to the specific circumstances.

The contractual maturities of the Group's financial liabilities and insurance contracts are set out in notes F2 and F3,

### E4: Capital management

The Company aims to maintain its solvency levels within the target range of 175% to 210%. The target range has been set with reference to the requirements of relevant stakeholders and seeks to ensure we maintain sufficient, but not excessive, financial strength to support stakeholder requirements and retain financial flexibility through the maintenance of sufficient liquidity. The Group's capital requirements are supported by equity shareholders' funds and qualifying subordinated debt.

The Prudential Standards prescribed under the Insurance Act seek to improve policyholder protection and contribute to financial stability through aligning insurers' regulatory capital requirements with underlying risks. It also strengthens the regulatory requirements in respect of governance, risk management and internal controls for insurers and aligns with international standards. In accordance with the Prudential Standards, each insurance company must maintain own funds to cover at a minimum their capital requirements. In practice, companies will hold a buffer above this minimum requirement. The solvency capital requirements (SCR) is the primary solvency capital requirement for South African insurers. The SCR is calibrated to correspond to the amount of own funds that an insurer needs to hold at a confidence level of 99.5% over a one-year period. The SCR can be calculated either using the Standard Formula or an Internal Model.

The required capital for OMLACSA, which contributes the highest portion towards Group solvency, is calculated using the Standard Formula. This requires the calculation of capital requirements for each key risk category, namely business risk, market risk, life liability risk, credit, counterparty and concentration risk, operational risk and currency risk. The capital requirements for each risk category are aggregated using a prescribed correlation matrix, which allows for diversification effects between some of the risk categories. Subject to regulatory approval, the Standard Formula allows for certain methodology elections to be made.

The Company solvency capital position must be compliant with regulatory requirements at all times. In addition to the calculated regulatory capital requirement, the Company holds a buffer above these minimum requirements that will allow it to remain compliant after a predefined extreme adverse scenario. The primary sources of capital used by the Company are shareholders equity and qualifying subordinated debt. There are a number of constraints, including the Company's desired credit rating, required liquidity and dividend capacity, which inform the optimal mix of capital sources.

The Company solvency ratio presented is prepared on a consistent basis to the prior year. The process of securing certain Prudential Authority approvals for the Company's proposed basis remains ongoing. At 31 December 2019 the unaudited solvency ratio for the Company was 216% (2018: 228%). This is calculated as total own funds of R79.1 billion divided by total solvency capital requirement of R36.7 billion. The comparatives have been updated to align to the final submission made to the Prudential Authority. These values are unaudited.

### E5: Other unaudited information

The following table shows the sensitivity of the Group's embedded value to changes in key assumptions. Embedded value is a measure of the value of shareholders' interests in the covered business of the company after sufficient allowance has been made for the aggregate risks in the covered business. It is measured in a way that is consistent with the value that would normally be placed on the cashflows generated by these assets and liabilities in a deep and liquid market. All calculations include the impact on the time-value reserves necessary for policyholder financial options and guarantees.

For each sensitivity illustrated, all other assumptions have been left unchanged except where they are directly affected by the revised conditions. Sensitivity scenarios therefore include consistent changes in cash flows directly affected by the changed assumption(s), for example future bonus participation in changed economic scenarios. For more information on the Group's embedded value, refer to pages 115 to 124 of the Additional Disclosures in the Group Annual Results published on 16 March 2020. This information has not been audited by the Group's auditors.

At 31 December Rm	Unaudited 2019 EV	Unaudited 2018 EV
<b>Central assumptions</b>	<b>64,472</b>	57,316
<b>Value given changes in:</b>		
Economic assumptions 100 bps increase <sup>1</sup>	<b>64,321</b>	57,295
Economic assumptions 100 bps decrease <sup>1</sup>	<b>64,441</b>	57,039
Equity/property market value 10% increase <sup>2</sup>	<b>66,353</b>	59,321
Equity/property market value 10% decrease <sup>2</sup>	<b>62,555</b>	55,275
10 bps increase of liquidity spreads <sup>3</sup>	<b>64,639</b>	57,473
50 bps contraction on corporate bond spreads <sup>4</sup>	<b>64,842</b>	57,699
25% increase in equity/property implied volatilities <sup>5</sup>	<b>63,878</b>	56,084
25% increase in swaption implied volatilities <sup>6</sup>	<b>64,291</b>	57,259
10% decrease in discontinuance rates <sup>7</sup>	<b>66,413</b>	58,849
10% decrease in maintenance expenses <sup>8</sup>	<b>65,998</b>	58,998
5% decrease in mortality/morbidity rates <sup>9</sup>	<b>67,106</b>	59,904
5% decrease in annuitant mortality assumption <sup>10</sup>	<b>64,164</b>	57,030

<sup>1</sup> Economic assumptions 100 bps increase/decrease: Increasing/decreasing all pre-tax investment and economic assumptions (projected investment returns and inflation) by 100 bps, with credited rates and discount rates changing commensurately.

<sup>2</sup> Equity/property market value 10% increase/decrease: Equity and property market value increasing/decreasing by 10%, with all pre-tax investment and economic assumptions unchanged.

<sup>3</sup> 10 bps increase in liquidity spreads: Recognising the present value of an additional 10 bps of liquidity spreads assumed on corporate bonds over the lifetime of the liabilities (annuities only), with credited rates and discount rates changing commensurately.

<sup>4</sup> 50 bps contraction on corporate bond spreads.

<sup>5</sup> 25% increase in equity/property implied volatilities: 25% multiplicative increase in implied volatilities.

<sup>6</sup> 25% increase in swaption implied volatilities: 25% multiplicative increase in implied volatilities.

<sup>7</sup> 10% decrease in discontinuance rate.

<sup>8</sup> 10% decrease in maintenance expenses: Maintenance expense levels decreasing by 10%, with no corresponding decrease in policy charges.

<sup>9</sup> 5% decrease in mortality/morbidity rates: Mortality and morbidity assumptions for assurances decreasing by 5%, with no corresponding decrease in policy charges.

<sup>10</sup> 5% decrease in annuitant mortality assumption: Mortality assumption for annuities decreasing by 5%, with no corresponding increase in policy charges.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## F: Analysis of financial assets and liabilities

### F1: Investments and securities and derivative financial assets and liabilities

#### (a) Investments and securities

The table below analyses the investments and securities that the Group invests in, either for its own proprietary behalf (shareholder funds) or on behalf of third parties (either policyholder funds or pooled investments).

At 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Investments in Group undertakings</b>				
Associated undertakings, joint ventures and subsidiaries	47,423	54,058	-	-
Capital advances to Group undertakings	4,472	4,607	4,472	4,607
Old Mutual Limited	2,007	2,206	3,226	4,039
	<b>53,902</b>	<b>60,871</b>	<b>7,698</b>	<b>8,646</b>
<b>Other financial assets</b>				
Government and government-guaranteed securities	71,084	66,290	89,896	81,478
Other debt securities, preference shares and debentures	85,744	85,372	88,848	87,030
Listed	26,874	24,228	26,873	24,228
Unlisted	58,870	61,144	61,975	62,802
Equity securities	124,853	113,257	248,270	238,250
Listed	113,089	102,164	231,733	220,558
Unlisted	11,764	11,093	16,537	17,692
Pooled investments <sup>1</sup>	290,233	257,746	189,875	173,169
Listed	104,845	98,290	107,751	101,414
Unlisted	185,388	159,456	82,124	71,755
Short-term funds and securities treated as investments	45,380	42,214	72,049	67,337
<b>Total investments and securities</b>	<b>671,196</b>	<b>625,750</b>	<b>696,636</b>	<b>655,910</b>

<sup>1</sup> Pooled investments represent the Group's holdings of shares or units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles which are not consolidated.

The company conducts securities lending activities as lender in respect of some of its listed equities and bonds. The fair value of collateral accepted as security for securities lending arrangements amount to R1,870 million (2018: R2,677 million).

Other debt securities include credit linked notes of R13 million (2018: R914 million). Credit linked notes are made up of a deposit and a credit default swap. OMLACSA has placed government securities and negotiable certificates of deposit amounting to R9,882 million (2018: R6,235 million) as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but do not qualify for derecognition under IFRS 9. The associated liabilities amounted to R9,909 million (2018: R6,001 million).

The credit grading for the underlying securities within the consolidation of funds has been disclosed as not rated. Sufficient details for the consolidation of funds' securities could not be obtained.

Investments and securities (Separate) are regarded as current and non-current assets based on the intention with which the financial assets are held, as well as their contractual maturity profile. Of the amounts shown above, R34,916 million (2018: R36,451 million) is expected to be recoverable within 12 months from the reporting date and R636,280 million (2018: R589,299 million) is expected to be recovered more than 12 months from the reporting date.

Investments and securities (Consolidated) are regarded as current and non-current assets based on the intention with which the financial assets are held, as well as their contractual maturity profile. Of the amounts shown above, R32,754 million (2018: R93,542 million) is expected to be recoverable within 12 months from the reporting date and R663,882 million (2018: R562,368 million) is expected to be recovered more than 12 months from the reporting date.

Equity securities are used for a combination of activities. The majority of the listed securities are traded on well-established exchanges such as the New York Stock Exchange, London Stock Exchange and Johannesburg Securities Exchange.

The Group's holdings of unlisted equity securities arise principally from private equity investments and unlisted investment vehicles.

#### (b) Derivative financial assets and liabilities

Derivative financial assets and liabilities predominantly consist of interest rate contracts used to hedge the Group's borrowed fund fixed and variable rate exposures.

##### Separate

R58 million (2018: R75 million) of the total derivative financial assets of R3,167 million (2018: R2,775 million) is regarded as current with the remainder being non-current.

R184 million (2018: R65 million) of the total derivative financial liabilities of R4,837 million (2018: 5,342 million) is regarded as current with the remainder being non-current.

##### Consolidated

R58 million (2018: R96 million) of the total derivative financial assets of R3,167 million (2018: R2,795 million) is regarded as current with the remainder being non-current.

R184 million (2018: R65 million) of the total derivative financial liabilities of R4,874 million (2018: R5,342 million) is regarded as current with the remainder being non-current.

### F2: Insurance and investment contracts

#### Life assurance

##### Classification of contracts

Life assurance contracts are categorised into insurance contracts, contracts with a discretionary participation feature or investment contracts, in accordance with the classification criteria set out in the paragraphs below.

For the Group's unit-linked assurance business, contracts are separated into an insurance component and an investment component (known as unbundling) and each unbundled component is accounted for separately in accordance with the accounting policy for that component. The treatment of these types of contracts as separate components (unbundling) only occurs when there is a small or insignificant amount of insurance risk in the contract. Other kinds of contracts are considered and categorised as a whole.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is risk other than financial risk. Contracts accounted for as insurance contracts include life assurance contracts and savings contracts providing more than an insignificant amount of life assurance protection.

Financial risks are the risks of a possible future change in one or more of a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Contracts with discretionary participation features are those under which the policyholder holds a contractual right to receive additional payments as a supplement to guaranteed minimum payments. These additional payments, the amount and timing of which is at the Group's discretion, represent a significant portion of the total contractual payments. These are contractually based on (i) the performance of a specified pool of contracts or a specified type of contract, (ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group or (iii) the profit or loss of the Group. Investment contracts with discretionary participation features, which have no life assurance protection in the policy terms, are accounted for in the same manner as insurance contracts.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant (or there is no transfer of insurance risk) and where there is no discretionary participation are classified as investment contracts. Such contracts include unit-linked savings and/or investment contracts sold without life assurance protection and are classified as financial instruments.

##### Premiums on life assurance

Premiums and annuity considerations receivable under insurance contracts and investment contracts with a discretionary participation feature are stated gross of commission and exclude taxes and levies. Premiums in respect of unit-linked insurance contracts are recognised when the liability is established. Premiums in respect of insurance contracts and investment contracts with a discretionary participation feature are recognised when due for payment.

Amounts received under investment contracts, other than those with a discretionary participation feature, and unit-linked assurance contracts are not recorded through profit or loss, except for fee income and investment income attributable to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to investment contract liabilities.



# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## F: Analysis of financial assets and liabilities

### F2: Insurance and investment contracts

#### Claims paid on life assurance

Claims paid under insurance contracts and investment contracts with a discretionary participating feature include maturities, annuities, surrenders, death and disability payments.

#### Claims paid on life assurance

Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for in profit or loss when notified.

Reinsurance recoveries in profit or loss are recognised in profit or loss in the same period as the related claim.

Amounts paid under investment contracts other than those with a discretionary participating feature and unit-linked assurance contracts are recorded as reductions of the investment contract liabilities.

#### Life Insurance contract liabilities

Provisions in respect of South African business are made in accordance with the Financial Soundness Valuation basis as set out in the latest version of the guidelines issued by the Actuarial Society of South Africa in Standard of Actuarial Practice (SAP) 104.

Under these guidelines, provisions are valued using realistic expectations of future experience, with margins for prudence and deferral of profit emergence.

Provisions for investment contracts with a discretionary participating feature are also computed using the gross premium valuation method in accordance with the Financial Soundness Valuation basis. Surplus allocated to policyholders but not yet distributed related to these contracts is included as part of life assurance policyholder liabilities.

Reserves for immediate annuities and other guaranteed payments are computed on the prospective method, which produces reserves equal to the present value of future benefit payments.

Derivative instruments embedded in a life insurance contract are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as a life insurance contract. In this case the entire contract is measured as described above.

The Group performs liability adequacy testing at a business unit level on its insurance liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs and intangible assets) is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount to the carrying value of the liability at discount rates appropriate to the business in question. Where a shortfall is identified, an additional provision is made by increasing the liability held. The provision assumptions and estimation techniques are periodically reviewed, with any changes in estimates reflected in profit or loss as they occur.

Whilst the directors consider that the gross life insurance contract liabilities and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided.

In respect of the South African life assurance business, shadow accounting is applied to life insurance contract liabilities where the underlying measurement of the policyholder liability depends directly on the value of owner-occupied property and the unrealised gains or losses on such property, which are recognised in other comprehensive income. The shadow accounting adjustment to life insurance contract liabilities is recognised in other comprehensive income to the extent that the unrealised gains or losses on owner-occupied property backing life insurance contract liabilities are also recognised directly in other comprehensive income.

Financial guarantee contracts, issued in insurance contracts are recognised as part of the overall measurement of insurance contracts. Liability adequacy testing is performed to ensure that the carrying amount of the liability for financial guarantee contracts is sufficient.

#### Investment contract liabilities

Investment contract liabilities in respect of the Group's business other than unit-linked business are recorded at amortised cost unless they are designated at fair value through profit or loss in order to eliminate or significantly reduce a measurement or recognition inconsistency, for example where the corresponding assets are recorded at fair value through profit or loss.

Investment contract liabilities in respect of the Group's unit-linked business are recorded at fair value. For such liabilities, including the deposit component of unbundled unit-linked assurance contracts, fair value is calculated as the account balance, which is the value of the units allocated to the policyholder, based on the bid price of the assets in the underlying fund (adjusted for tax).

Investment contract liabilities measured at fair value are subject to a 'deposit floor' such that the liability established cannot be less than the amount repayable on demand.

#### Acquisition costs

Acquisition costs for insurance contracts comprise all direct and indirect costs arising from the sale of insurance contracts.

Deferral of costs on insurance business is limited to the extent that they are deemed recoverable from available future margins.

#### Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the insurance liabilities held in respect of the related insurance contracts. Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

### Critical accounting estimates and judgements – Insurance and investment contract liabilities

#### Discretionary reserves

Insurance and investment contract liabilities in South Africa are determined as the aggregate of:

- Best estimate liabilities, with assumptions allowing for the best estimate of future experience and a market-consistent valuation of financial options and guarantees
- Compulsory margins, prescribed in terms of South African professional actuarial guidance note (SAP 104) as explicit changes to actuarial assumptions that increase the level of insurance and investment contract liabilities held, and
- Discretionary margins, permitted by SAP 104, to allow for the uncertainty inherent in estimates of future experience after considering available options of managing that experience over time, or to defer the release of profits consistent with policy design or company practice.

Discretionary margins of R7,911 million (1.3% of total insurance and investment contract liabilities) were held at 31 December 2019 (2018: R7,984 million, 1.4% of total insurance and investment contract liabilities). This consisted largely of:

- Margins held for Mass and Foundation Cluster protection business, which allow for the uncertainty related to mortality experience in South Africa, as well as future lapse experience and future investment returns, and to ensure that profit is released appropriately over the term of the policies
- Margins to allow for the uncertainty inherent in the assumptions used to value financial options and guarantees, implied volatility assumptions in particular, which are difficult to hedge due to the short term nature of the equity option market in South Africa
- Margins on non-profit annuities, due to the inability to fully match assets to liabilities as a result of the limited availability of long-dated bonds, and to provide for longevity risk, and
- Margins for the uncertainty inherent in future economic assumptions used to calculate, mainly protection product liabilities, in the Wealth, Personal Finance and Mass and Foundation Cluster businesses. Although interest rate hedging is used to manage interest rate risk on these products, the volatility of bond yields in South Africa means that it is difficult to maintain appropriate hedging positions without incurring significant trading costs. The discretionary margin therefore caters for the residual uncertainty present after allowing for the hedge programme that is in place.

## Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

### F: Analysis of financial assets and liabilities

#### F2: Insurance and investment contracts

##### (a) Net earned premiums

The Group's net earned premiums from insurance and investment contracts with discretionary participation features are analysed as follows:

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Premiums earned</b>				
Life insurance contracts	27,144	25,423	28,253	26,437
Investment contracts with discretionary participation features	28,180	28,497	28,180	28,497
<b>Gross earned premiums</b>	<b>55,324</b>	53,920	<b>56,433</b>	54,934
Outwards reinsurance premium ceded	(1,959)	(1,463)	(2,173)	(1,699)
<b>Net earned premiums</b>	<b>53,365</b>	52,457	<b>54,260</b>	53,235

##### (b) Net claims incurred

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
Gross claims and benefits from insurance contracts	28,766	17,551	29,183	17,864
Gross claims and benefits from investment contracts with discretionary participation features	41,695	25,268	41,695	25,260
<b>Gross claims incurred</b>	<b>70,461</b>	42,819	<b>70,878</b>	43,124
Reinsurers' share of claims incurred	(2,566)	(1,495)	(2,788)	(1,741)
<b>Net claims incurred</b>	<b>67,895</b>	41,324	<b>68,090</b>	41,383

The above includes changes in insurance contracts and investment contracts with discretionary participation features.

##### (c) Policyholder liabilities

The Group's insurance and investment contracts are analysed as follows:

Year ended 31 December Rm	Separate					
	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Life assurance policyholder liabilities</b>						
<b>Total life insurance contracts liabilities</b>	<b>133,358</b>	<b>(1,424)</b>	<b>131,934</b>	135,425	(524)	134,901
Life insurance contracts liabilities	131,256	(1,229)	130,027	133,263	(179)	133,084
Outstanding claims	2,102	(195)	1,907	2,162	(345)	1,817
<b>Investment contract liabilities</b>	<b>474,685</b>	–	<b>474,685</b>	425,908	–	425,908
Unit-linked investment contracts and similar contracts	297,931	–	297,931	259,997	–	259,997
Other investment contracts	1,087	–	1,087	1,253	–	1,253
Investment contracts with discretionary participating features	175,667	–	175,667	164,658	–	164,658
<b>Total policyholder liabilities</b>	<b>608,043</b>	<b>(1,424)</b>	<b>606,619</b>	561,333	(524)	560,809

Year ended 31 December Rm	Consolidated					
	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Life assurance policyholder liabilities</b>						
<b>Total life insurance contracts liabilities</b>	<b>134,219</b>	<b>(1,683)</b>	<b>132,536</b>	136,519	(1,033)	135,486
Life insurance contracts liabilities	132,116	(1,488)	130,628	134,357	(628)	133,729
Outstanding claims	2,103	(195)	1,908	2,162	(405)	1,757
<b>Investment contract liabilities</b>	<b>477,326</b>	–	<b>477,326</b>	439,803	–	439,803
Unit-linked investment contracts and similar contracts	300,572	–	300,572	273,892	–	273,892
Other investment contracts	1,087	–	1,087	1,253	–	1,253
Investment contracts with discretionary participating features	175,667	–	175,667	164,658	–	164,658
<b>Total policyholder liabilities</b>	<b>611,545</b>	<b>(1,683)</b>	<b>609,862</b>	576,322	(1,033)	575,289

Of the R1,424 million (2018: R524 million) included in reinsurer's share of life assurance policyholder liabilities in the separate financial statements is an amount of R195 million (2018: R345 million) which is recoverable within 12 months from the reporting date. The remainder is recoverable more than 12 months from the reporting date.

Of the R1,683 million (2018: R1,033 million) included in reinsurer's share of life assurance policyholder liabilities in the consolidated financial statements is an amount of R195 million (2018: R405 million) which is recoverable within 12 months from the reporting date. The remainder is recoverable more than 12 months from the reporting date.

##### (d) Insurance contracts

Movements in the amounts outstanding in respect of life assurance policyholder liabilities, other than outstanding claims, are set out below:

Year ended 31 December Rm	2019 – Separate			2019 – Consolidated		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Balance at beginning of the year</b>	<b>133,263</b>	<b>(179)</b>	<b>133,084</b>	134,357	(628)	133,729
<b>Income</b>						
Premium income	27,144	(1,955)	25,189	28,253	(2,166)	26,087
Investment income	14,035	–	14,035	14,120	–	14,120
Other income	(28)	–	(28)	(297)	–	(297)
<b>Expenses</b>						
Claims and policy benefits	(29,193)	1,521	(27,672)	(29,649)	1,598	(28,051)
Operating expenses	(8,276)	–	(8,276)	(8,442)	–	(8,442)
Other charges and transfers	(1,485)	–	(1,485)	(1,386)	712	(674)
Taxation	(258)	–	(258)	(415)	–	(415)
Transfer to operating profit	(3,946)	(616)	(4,562)	(4,425)	(1,004)	(5,429)
<b>Balance at end of the year</b>	<b>131,256</b>	<b>(1,229)</b>	<b>130,027</b>	132,116	(1,488)	130,628

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## F: Analysis of financial assets and liabilities

### F2: Insurance and investment contracts

Year ended 31 December Rm	2018 – Separate			2018 – Consolidated		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Balance at beginning of the year</b>	146,588	(10)	146,578	147,632	(402)	147,230
<b>Income</b>						
Premium income	25,424	(1,463)	23,961	26,437	(1,699)	24,738
Investment income	4,941	–	4,941	5,150	–	5,150
<b>Expenses</b>						
Claims and policy benefits	(30,876)	1,326	(29,550)	(31,138)	1,415	(29,723)
Operating expenses	(8,516)	–	(8,516)	(8,537)	–	(8,537)
Other charges and transfers	261	–	261	446	–	446
Taxation	29	–	29	(109)	–	(109)
Transfer to operating profit	(4,588)	(32)	(4,620)	(5,524)	58	(5,466)
<b>Balance at end of the year</b>	133,263	(179)	133,084	134,357	(628)	133,729

#### (e) Unit-linked investment contracts and similar contracts, and other investment contracts

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Balance at beginning of the year</b>	261,250	255,470	275,145	273,934
Contributions received	37,529	39,375	37,851	40,341
Maturities	(639)	(102)	(1,216)	(248)
Withdrawals and surrenders	(34,919)	(33,496)	(36,224)	(35,371)
Fair value movements	27,398	(5,669)	28,612	(6,219)
Foreign exchange and other movements	8,399	5,672	(2,509)	2,708
<b>Balance at end of the year</b>	299,018	261,250	301,659	275,145

#### (f) Discretionary participating investment contracts

Discretionary participating investment contracts relate to the continuing businesses only. None of the businesses classified as held for sale and distribution have issued any discretionary participating investment contracts.

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Balance at beginning of the year</b>	164,658	164,822	164,658	164,822
<b>Income</b>				
Premium income	28,180	28,497	28,180	28,497
Investment and other income	16,278	(810)	16,278	(810)
<b>Expenses</b>				
Claims and policy benefits	(30,691)	(25,431)	(30,691)	(25,431)
Operating expenses	(1,192)	(1,004)	(1,192)	(1,004)
Other charges and transfers	(37)	(294)	(37)	(294)
Taxation	(186)	(35)	(186)	(35)
Transfer to operating profit	(1,343)	(1,087)	(1,343)	(1,087)
<b>Balance at end of the year</b>	175,667	164,658	175,667	164,658

#### (g) Contractual maturity analysis

The following table shows a maturity analysis of liability cash flows based on contractual maturity dates for investment contract liabilities and discretionary participating financial instruments, and expected claim dates for insurance contracts. Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies. Although these liabilities are payable on demand, and are therefore included in the contractual maturity analysis as due in less than three months, and more than three months less than one year, the Group does not expect all these amounts to be paid out within one year of the reporting date.

The undiscounted cash flows of discretionary participating investment contracts only include amounts vested or to be vested, while their carrying amounts include reserves that are payable at the discretion of the Group.

At 31 December 2019 Rm	Carrying amount	Undiscounted cash flows – Separate				Total
		Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	
<b>Life assurance policyholder liabilities</b>						
<b>Total life insurance contracts</b>	133,358	9,563	18,532	95,781	314,914	438,790
Life insurance contract liabilities	131,256	7,459	18,532	95,781	314,914	436,686
Outstanding claims	2,102	2,104	–	–	–	2,104
<b>Investment contract liabilities</b>	474,685	482,414	284	451	2,595	485,744
Unit-linked investment contracts and similar contracts	297,931	304,695	–	–	–	304,695
Other investment contracts	1,087	1,188	284	451	65	1,988
Investment contracts with discretionary participating features	175,667	176,531	–	–	2,530	179,061
<b>Total policyholder liabilities</b>	608,043	491,977	18,816	96,232	317,509	924,534

At 31 December 2018 Rm	Carrying amount	Undiscounted cash flows – Separate				Total
		Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	
<b>Life assurance policyholder liabilities</b>						
<b>Total life insurance contracts</b>	135,425	9,952	18,482	97,596	307,152	433,182
Life insurance contract liabilities	133,263	7,790	18,482	97,596	307,152	431,020
Outstanding claims	2,162	2,162	–	–	–	2,162
<b>Investment contract liabilities</b>	425,908	425,971	277	825	54	427,127
Unit-linked investment contracts and similar contracts	259,997	259,997	–	–	–	259,997
Other investment contracts	1,253	1,316	277	825	54	2,472
Investment contracts with discretionary participating features	164,658	164,658	–	–	–	164,658
<b>Total policyholder liabilities</b>	561,333	435,923	18,759	98,421	307,206	860,309

## Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

### F: Analysis of financial assets and liabilities

#### F2: Insurance and investment contracts

Undiscounted cash flows – Consolidated						
At 31 December 2019 Rm	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
<b>Life assurance policyholder liabilities</b>						
<b>Total life insurance contracts</b>	<b>134,219</b>	<b>9,743</b>	<b>18,617</b>	<b>96,168</b>	<b>315,543</b>	<b>440,071</b>
Life insurance contract liabilities	132,116	7,639	18,617	96,168	315,543	437,967
Outstanding claims	2,103	2,104	–	–	–	2,104
<b>Investment contract liabilities</b>						
<b>Total investment contracts</b>	<b>477,326</b>	<b>485,055</b>	<b>284</b>	<b>451</b>	<b>2,595</b>	<b>488,385</b>
Unit-linked investment contracts and similar contracts	300,572	307,366	–	–	–	307,336
Other investment contracts	1,087	1,188	284	451	65	1,988
Investment contracts with discretionary participating features	175,667	176,531	–	–	2,530	179,061
<b>Total policyholder liabilities</b>	<b>611,545</b>	<b>494,798</b>	<b>18,901</b>	<b>96,691</b>	<b>318,138</b>	<b>928,456</b>

Undiscounted cash flows – Consolidated						
At 31 December 2018 Rm	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
<b>Life assurance policyholder liabilities</b>						
<b>Total life insurance contracts</b>	<b>136,519</b>	<b>10,345</b>	<b>18,671</b>	<b>98,489</b>	<b>309,019</b>	<b>436,524</b>
Life insurance contract liabilities	134,357	8,183	18,671	98,489	309,019	434,362
Outstanding claims	2,162	2,162	–	–	–	2,162
<b>Investment contract liabilities</b>						
<b>Total investment contracts</b>	<b>439,803</b>	<b>439,866</b>	<b>277</b>	<b>825</b>	<b>54</b>	<b>441,022</b>
Unit-linked investment contracts and similar contracts	273,892	273,892	–	–	–	273,892
Other investment contracts	1,253	1,316	277	825	54	2,472
Investment contracts with discretionary participating features	164,658	164,658	–	–	–	164,658
<b>Total policyholder liabilities</b>	<b>576,322</b>	<b>450,211</b>	<b>18,948</b>	<b>99,314</b>	<b>309,073</b>	<b>877,546</b>

#### (h) Exposure and management of risk arising from insurance contracts

The Group assumes liability risk, sometimes referred to as insurance risk, life contracts under which the Group agrees to compensate the policyholder or beneficiary if a specified uncertain future event affecting the policyholder occurs. This risk includes mortality and morbidity risk for life insurance contracts, as well as non-life risk from events such as fire or accident arising under general insurance contracts. As such, the Group is exposed to the uncertainty surrounding the timing and severity of such claims.

The principal risk is that the frequency and severity of claims is greater than expected and that the Group does not charge premiums appropriate for the risk accepted. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Another key risk is that the return on the portfolio of assets held by the Group is not sufficient to cover the claims made on the insurance contracts.

The Group's risk philosophy is therefore to hold capital where the risks lie and the Group only takes on risks that we can understand, price appropriately and have the skills to monitor and manage.

#### Risk management objectives and policies for mitigating insurance risk

The group manages insurance risk through the following mechanisms:

- An agreed risk preference for all risk types, including those relating to insurance.
- The diversification of business over several classes of insurance and large numbers of uncorrelated individual risks, by which the group seeks to reduce variability in loss experience.
- The maintenance and use of management information systems, which provide current data on the risks to which the business is exposed and the quantification of such risks.
- Actuarial models, which use the above information to calculate premiums and monitor decrements and claims patterns. Past experience and statistical methods are used.
- Guidelines for concluding insurance contracts and assuming insurance risks. These include underwriting principles and product pricing procedures.
- Reinsurance, which is used to limit the Group's exposure to large single claims and catastrophes. When selecting a reinsurer, consideration is given to those companies that provide high security using rating information from both public and private sources.
- The mix of assets, which is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored to ensure that there are sufficient interest bearing assets to match the guaranteed portion of liabilities. Hedging instruments are used at times to limit exposure to equity market and interest rate movements.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## F: Analysis of financial assets and liabilities

### F2: Insurance and investment contracts

#### Management of insurance risks

The following table summarises the variety of insurance risks to which the Group is exposed, and the methods by which it seeks to mitigate these risks.

Risk type	Nature of risk	Risk management
<b>Liability – mortality</b>	Misalignment of policyholders to the appropriate pricing basis or impact of anti-selection or random fluctuation in deaths, resulting in a loss.	Experience is closely monitored. Mortality rates can be reset at the end of the guarantee term. Underwriting limits, health requirements, spread of risks and training of underwriters and reinsurance all mitigate the risk.
<b>Liability – morbidity</b>	Misalignment of policyholders to the appropriate pricing basis or impact of anti-selection or random fluctuation in disability/critical illness, resulting in a loss.	Experience is closely monitored. Morbidity rates can be reset at the end of the guarantee term. Underwriting limits, health requirements, spread of risks and training of underwriters all mitigate the risk.
<b>Liability – longevity</b>	Possible increase in annuity costs due to policyholders living longer.	For non-profit annuities, improvement to longevity is allowed for in pricing and valuation. Experience is closely monitored. For with-profit annuity business, the longevity risk is carried by policyholders and any mortality profit or loss is reflected in bonuses declared.
<b>Liability – mortality catastrophe</b>	Natural and non-natural disasters could result in increased mortality risk and payouts on policies.	Catastrophe excess of loss re-insurance treaty covers claims from one incident occurring within a specified period between a range of specified limits.
<b>Liability – morbidity catastrophe</b>	Natural and non-natural disasters could result in increased morbidity risk and payouts on policies.	Catastrophe excess of loss re-insurance treaty covers claims from one incident occurring within a specified period between a range of specified limits.
<b>Market – yield curve movement</b>	Lower swap curves and higher volatilities cause investment guarantee reserves to increase.	A discretionary margin is added to the value of guarantees, determined on a market consistent stochastic basis and included in current reserves. Hedging is largely in place for most products. Fewer and lower guarantees are typically provided on new business.
<b>Market – asset price movement</b>	Unfavourable movements in asset prices may result in asset values being less than guaranteed policy values, particularly on smooth bonus business. (This product delivers stable, or 'smooth' returns over time, the smoothing approach delivers investment returns in the form of annual bonuses)	An investment guarantee reserve has been set up to mitigate the risk of poor market performance relative to investment guarantees.
<b>Tax</b>	<p>Tax risk is the risk that the projected taxation basis for basic life assurance business is incorrect, resulting in contracts being incorrectly priced.</p> <p>Tax risk also represents potential changes in the interpretation or application of prevailing tax legislation applicable to either policyholders or shareholders, resulting in higher taxes reducing profitability or increasing shareholder tax burdens.</p>	The taxation position of the operations is projected annually and tax changes will result in changes to new business pricing models as part of the annual control cycle. High risk issues and emerging trends are reported internally on a quarterly basis.

Risk type	Nature of risk	Risk management
<b>Policyholder behaviour</b>	<p>The risk that business performance will be below projections as a result of negative variances in new business volumes and margins, and lapse, rebate and expense experience.</p> <p>A natural consequence of doing business, which is proportional to the size of our business, is that it will grow as the businesses grow. These arise as a result of new products and new business.</p>	<p>Good business practices and disciplines. When selling new business, the Group will only sell products that meet its customers' needs and which they can afford, which then has a better chance of staying on books (this benefits both the customer and the Group).</p> <p>The Group offers innovative products to suit different clients and needs, enabling it to find opportunities even in challenging market conditions.</p> <p>In order to limit lapse risk, products are designed to limit the financial loss on surrender, subject to 'Treating Customers Fairly' principles.</p> <p>Expense risk is limited through the quarterly monitoring of budgets and forecasts.</p>
<b>Business volume risk</b>	Business volumes are not in line with those allowed for in the pricing of products, meaning the expenses are not fully recovered.	Business volumes are closely monitored, and pricing assumptions may be updated to allow appropriately for the expenses incurred by the Group in writing and maintaining policies.
<b>Expenses</b>	Expense risk is the risk that actual expenses and expense inflation differ from expected levels. Higher expenses and expense inflation may result in emerging profit falling below the Group's profit objectives.	Expense levels are monitored quarterly against budgets and forecasts. An activity-based costing process is used to allocate costs relating to processes and activities to individual product lines.
<b>Lapse risk</b>	Lapse risk arises where policies lapse before initial costs are recouped, or where lapse experience differs from pricing assumptions.	Some products' structures include variable maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels. This review may result in changes in charge levels, subject to Treating Customers Fairly principles.
<b>Mass lapse risk</b>	Mass lapse risk is the risk that the Group will not be able to continue operations after losing the policyholders due to market panic or some other external event.	Product design also allows for surrender penalties on early surrender with certain products. Experience is closely monitored. Premium rates can be reset at the end of the guarantee term. From 2018, Old Mutual Rewards benefits offered to our customers also contribute towards encouraging persistency.
		The Group holds capital to guard against a mass lapse scenario. This includes an allowance for operating expenses over a one-year period.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## F: Analysis of financial assets and liabilities

### F2: Insurance and investment contracts

#### Concentration of insurance risk

The Group manages concentration risk through various mechanisms and monitors the opportunities for mitigating actions. Such mechanisms include: underwriting principles and product pricing procedures, reinsurance and the diversification of business over several classes of insurance and large numbers of uncorrelated individual risks.

#### Sensitivity analysis – life assurance

Changes in key assumptions used to value insurance contracts would result in increases or decreases to the insurance contract provisions recorded, with impact on profit/(loss) and/or shareholders' equity. The effect of a change in assumption is mitigated by the offset (partial or full) to the bonus stabilisation reserve in the case of smoothed bonus products in South Africa.

The table below demonstrates the effect of a change in a key assumption to policyholder liabilities related to insurance contracts while other assumptions remain unchanged:

Year ended 31 December Rm	Change in assumption percentage	Increase/(decrease) in liabilities	
	2019 and 2018	2019	2018
<b>Assumption</b>			
Mortality and morbidity rates – assurance	10	5,556	5,101
Mortality rates – annuities	(10)	1,038	1,017
Discontinuance rates	10	283	190
Expenses (maintenance)	10	1,111	1,056
Valuation discount rate	(1)	161	131

The calculation of the Group's South African life assurance contract liabilities is sensitive to the discount rate used to value the liabilities. The methodology applied by the Group complies with South African professional actuarial guidance (SAP 104 guidance note), with the reference rate selected as the South African debt market 10-year bond yield.

It should be noted that where the assets and liabilities of a product are closely matched (e.g. non-profit annuity business) or where the impact of a lower valuation discount rate is hedged or partially hedged, the net effect has been shown since the asset movement fully or partially offsets the liability movement.

The insurance contract liabilities recorded for South African businesses are also impacted by the valuation discount rates assumed. Lowering this rate by 1% (with a corresponding reduction in the valuation inflation rate) would have no significant impact on insurance contract liabilities or profit in 2019 (2018: no impact). There continues to be no significant impact in 2019 due to management actions taken to reduce the impact of changing interest rates on operating profit. This impact is also calculated with no change to the charges paid by policyholders.

#### Guarantees and options

Some of the insurance contracts issued by the Group contain guarantees and options, the ultimate liability for which will depend significantly on the number of policyholders exercising their options and on market and investment conditions applying at that time.

Certain life assurance contracts include the payment of guaranteed values to policyholders on maturity, death, disability or survival. The published liabilities include the provision for both the intrinsic and time-value of the options and guarantees. The time-value of options and guarantees has been valued using a market-consistent stochastic asset model that is in keeping with the Advisory Practice Notes (APN) issued by the Actuarial Society of South Africa, APN 110 in particular. The options and guarantees that could have a material effect on the amount, timing and uncertainty of future cash flows are described in the following table:

Product category	Description of options and guarantees
<b>Retail</b>	
Death, disability, point and/or maturity guarantees	A closed block of universal life business with an underlying minimum growth rate guarantee (4.25% p.a. for life and endowment business and 4.75% p.a. for retirement annuity business), and smoothed bonus business with vested bonuses, applicable when calculating death, disability and maturity claims.
Guaranteed annuity options	Retirement annuities sold prior to June 1997 contain guaranteed annuity options, whereby the policyholder has an option to exchange the full retirement proceeds for a minimum level of annuity income at maturity.
<b>Corporate</b>	
Vested bonuses in respect of pre-retirement with- profits business	There is a material pre-retirement savings smoothed bonus portfolio. Vested bonuses affect the calculation of benefit payments when a member exits from the scheme as the face value is paid out. If, however, a scheme terminates, the lower of face and market value is paid out and the vested bonuses are not guaranteed.
Guaranteed annuity payments in respect of with-profit annuity business	There is a significant with-profit annuity portfolio. The underlying pricing interest rate is guaranteed and as such the current level of annuity payments (including past declared bonuses) cannot be reduced. If, however, a scheme terminates, the lower of the liability value on the Financial Soundness Valuation basis and the underlying asset market value is paid out.

The following disclosures are provided in terms of APN 110 issued by the Actuarial Society.

Investment guarantee reserves have been calculated using an internal economic scenario generator (ESG) model that generates product specific economic scenarios. These scenarios comprise interest rates, inflation and fund returns. The model is calibrated to South African derivative market data (where available and reliable), according to the group's specific calibration requirements. The calibration has been performed as at 31 December 2019.

The risk-free zero coupon yield curve has been derived from mid-swap spot rates at the calibration date.

Term (years)	Annualised zero-coupon yield
1	6.8%
2	6.7%
3	6.8%
4	7.0%
5	7.2%
10	8.1%
15	8.7%
20	8.5%
25	8.5%
30	8.1%

## Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

### F: Analysis of financial assets and liabilities

#### F2: Insurance and investment contracts

Maturity (years)	Strike	Price	Implied volatility
1	Spot	5.0%	16.9%
1	0.8 times spot	1.0%	21.4%
1	Forward	6.2%	16.2%
5	Spot	9.3%	22.2%
5	1.04^5 times spot	17.0%	21.4%
5	Forward	16.0%	21.5%
20	Spot	4.2%	27.9%
20	1.04^20 times spot	17.0%	28.0%
20	Forward	23.8%	28.1%

Description of derivative contract*	Calculated price (% of spot price)
5-year put with a strike price 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 yearly	5.02%
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 (stripped from the zero coupon yield curve), which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than this strike	0.53%

\* Note that the FTE/JSE TOP40 referred to in this section is a capital return index, whereas the ALBI is a total return index.

#### F3: Borrowed funds

At 31 December Rm		Separate		Consolidated	
		2019	2018	2019	2018
Subordinated debt securities	F3(a)	7,122	6,048	7,122	6,048
<b>Total borrowed funds</b>		<b>7,122</b>	<b>6,048</b>	<b>7,122</b>	<b>6,048</b>

#### Maturity Analysis

The table below provides the maturity profile of the anticipated future cash flows, based on Contractual maturity dates for borrowed funds, including interest. It is presented on an undiscounted basis, and will therefore, differ from both carrying value and fair value of borrowed funds:

At 31 December Rm	Separate and consolidated	
	2019	2018
Less than 1 year	2,399	1,607
Greater than 1 year and less than 5 years	4,570	4,626
Greater than 5 years	1,934	1,907
<b>Total</b>	<b>8,903</b>	<b>8,140</b>

#### (a) Subordinated debt securities

At 31 December Rm	Tier	Maturity date	Separate and consolidated	
			2019	2018
R300 million at 9.26%	Tier 2	Repaid	–	305
R700 million at 3 month JIBAR + 2.20%	Tier 2	Repaid	–	706
R2,000 million at 3 month JIBAR + 1.55%	Tier 2	June 2024	2,002	–
R537 million at 3 month JIBAR + 2.30%	Tier 2	March 2025	539	542
R425 million at 9.76%	Tier 2	March 2025	426	429
R1,288 million at 3 month JIBAR + 2.25%	Tier 2	September 2025	1,300	1,299
R409 million at 10.32%	Tier 2	March 2027	420	411
R568 million at 10.90%	Tier 2	September 2027	596	579
R1,150 million at 10.96%	Tier 2	March 2030	1,187	1,146
R623 million at 11.35%	Tier 2	September 2030	652	631
<b>Total subordinated debt securities</b>			<b>7,122</b>	<b>6,048</b>

#### (b) Reconciliation of borrowed funds arising from financing activities

Year ended 31 December Rm	Separate and consolidated	
	2019	2018
<b>Balance at beginning of the year</b>	<b>6,048</b>	5,995
<b>Changes from financing cash flows</b>	<b>1,000</b>	–
Proceeds from issue of new borrowed funds	2,000	–
Redemption of Borrowed funds	(1,000)	–
<b>Non-cash changes</b>	<b>74</b>	53
Fair value changes	74	53
<b>Balance at end of the year</b>	<b>7,122</b>	6,048

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## G Non-Financial Assets and Liabilities

### G1 Goodwill and other intangible assets

Goodwill arises on the acquisition of a business and represents the premium of the amount paid over the fair value of identifiable assets and liabilities. Goodwill is not amortised but is subject to annual impairment reviews. Other intangible assets include those assets which were initially recognised on a business combination and software development costs related to amounts recognised for in-house systems development.

#### (a) Goodwill and goodwill impairment

Goodwill arising on the acquisition of a subsidiary undertaking is recognised as an asset at the date that control is achieved (the acquisition date). Goodwill is measured as the excess of, the aggregate of (i) the consideration transferred, (ii) the amount of any non-controlling interest in the acquiree, and (iii) if the business combination is achieved in stages, the acquisition date fair value of the acquirers previously held equity interest, over the net of the acquisition amounts of the identifiable assets acquired and the liabilities assumed. If the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any), this excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairments at least once annually. Any impairment losses are recognised immediately in profit or loss and is not subsequently reversed.

On loss of control of a subsidiary undertaking, any attributable goodwill is included in the determination of any profit or loss on disposal. On disposal of a business, where goodwill on acquisition is allocated to the entire cash-generating unit (CGU), goodwill is allocated to the disposal on a relative basis.

Goodwill is allocated to one or more CGUs, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

#### (b) Internally developed software

Internally developed software (software) is amortised over its estimated useful life, where applicable. Such assets are stated at cost less accumulated amortisation and impairment losses. Software is recognised in the consolidated statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Group and its cost can be measured reliably.

Costs incurred in the research phase are expensed in profit or loss whereas costs incurred in the development phase are capitalised when the requirements of IAS 38 relating to the recognition of internally generated assets have been met. The main criteria being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the relevant software, which range between two and ten years, depending on the nature and use of the software. This excludes capitalised software that has not been brought into use yet.

#### (c) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### (d) Analysis of goodwill and other intangible assets

The following table analyses the movements in cost, amortisation and impairment of goodwill and other intangible assets for the year ended 31 December 2019 and the year ended 31 December 2018:

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Balance at 1 January</b>	<b>2,191</b>	1,471	<b>2,791</b>	1,723
Acquisitions through business combinations	-	-	-	243
Purchase price adjustments	-	-	(50)	-
Additions	<b>890</b>	747	<b>1,021</b>	855
Disposals	-	(27)	(13)	(30)
Transfers in	-	-	<b>33</b>	-
<b>Balance at 31 December</b>	<b>3,081</b>	2,191	<b>3,782</b>	2,791
<b>Amortisation and impairment losses</b>				
<b>Balance at 1 January</b>	<b>397</b>	349	<b>429</b>	350
Amortisation	<b>53</b>	25	<b>84</b>	42
Impairments	<b>190</b>	25	<b>305</b>	41
Disposals	-	(2)	(12)	(4)
Transfers in	-	-	<b>19</b>	-
<b>Balance at 31 December</b>	<b>640</b>	397	<b>825</b>	429
<b>Net carrying value</b>				
<b>Balance at 31 December</b>	<b>2,441</b>	1,794	<b>2,957</b>	2,362

The majority of the software development costs (R2 billion), comprises the capitalised costs associated with the multi year information technology refresh. These assets will come into use in 2020, aligned with the national roll out of OM Protect, which is a key proposition delivered as part of this multi year programme.

Intangible assets in the separate accounts consist of developmental expenditure and software which has been internally generated. In the consolidated accounts, the balance of intangibles includes developmental expenditure of R2,590 million and goodwill of R367 million.

Intangible assets are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

The cost of intangible assets includes the directly attributable costs necessary to acquire, develop and complete the asset to be able to operate as intended by management. Subsequent expenditure on intangible assets is expensed, unless probable that the expenditure will result in future economic benefits being received by the Group and the cost can be measured reliably.

Intangible assets, except for goodwill, are amortised over their useful life on a straight-line basis. The amortisation period, residual values and the amortisation method are reviewed at each reporting date. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Research costs are expensed as incurred. An intangible asset arising from development expenditure is recognised only when the Group meets the following recognition criteria: demonstration of the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

The carrying value of intangible assets is reviewed for indicators of impairment annually. If indicators of impairment exist, the particular asset is tested for impairment. An intangible asset that is not yet available for use or has an indefinite useful life is tested for impairment on an annual basis.



# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## G Non-Financial Assets and Liabilities

### G2: Fixed assets

#### (a): Property, plant and equipment

Buildings that are owner-occupied recorded at fair value. Owner-occupied properties are valued as at 31 December each year by internal professional valuers and external valuations are obtained once every three years. Fair value is determined by reference to market-based evidence. For each business, the valuation methodology adopted is dependent upon the nature of the property. Income generating assets are valued using discounted cash flows and vacant land and property are valued according to sales of comparable properties.

Increases or decreases in the carrying amount are taken to other comprehensive income and presented in a revaluation reserve in equity. To the extent that increases reverse a revaluation decrease previously recognised in the income statement, or a decrease that exceeds the revaluation surplus, then the excess is recognised in the income statement. The revaluation reserve will be released in equity when the asset is sold.

The Group assesses and adjusts (if required) the useful life, residual value and depreciation method for property and equipment on an annual basis.

Plant and equipment, principally computer equipment, motor vehicles, fixtures and fittings is stated at cost less accumulated depreciation and impairment losses. The maximum estimated useful life ranges from three to ten years.

Category	Valuation Model	Measurement
<b>Land</b>	<b>Revaluation model</b>	Land is stated at revalued amounts and is not depreciated.
<b>Buildings</b>	<b>Revaluation model</b>	<p>Stated at revalued amounts. Depreciated over a period of 50 years using the straight-line method.</p> <p>Revaluation gains and losses on owner occupied property are recognised in the consolidated statement of comprehensive income.</p> <p>On revaluation any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the property concerned and the net amount restated to the revalued amount.</p> <p>On derecognition, any gain or loss on disposal, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss in the period the asset is derecognised.</p>
<b>Leased Assets</b>	<b>Revaluation model</b>	<p>The Lease Term is defined as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both:</p> <p>Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option.</p> <p>Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.</p> <p>Leases with a remaining lease term of 12 months or less that qualify as low-value leases are excluded from the calculation of the lease liability and right of use asset.</p>

### Property, plant and equipment owned by the Group

The following table analyses land, buildings, equipment and buildings leased.

Rm	Separate					
	Land	Buildings	Plant and equipment	Total Owned	Leased Buildings	Total
<b>Gross carrying amount</b>						
<b>Balance at 1 January 2018</b>	91	2,419	1,537	4,047	–	4,047
Additions	125	1,404	277	1,806	–	1,806
Increase arising from revaluation	24	57	–	81	–	81
Transfer from investment property	10	87	–	97	–	97
Reclassification to property, plant and equipment	–	–	33	33	–	33
Disposals	–	–	(143)	(143)	–	(143)
<b>Balance at 31 December 2018</b>	<b>250</b>	<b>3,967</b>	<b>1,704</b>	<b>5,921</b>	<b>–</b>	<b>5,921</b>
Impact of the adoption of IFRS 16	–	–	–	–	499	499
<b>Adjusted opening balance</b>	<b>250</b>	<b>3,967</b>	<b>1,704</b>	<b>5,921</b>	<b>499</b>	<b>6,420</b>
Additions	–	86	264	350	69	419
Increase/(decrease) arising from revaluation	(1)	92	–	91	–	91
Reclassification from property, plant and equipment	–	(31)	(19)	(50)	–	(50)
Disposals	–	(27)	(279)	(306)	–	(306)
Foreign exchange and other movements	–	46	8	54	–	54
<b>Balance at 31 December 2019</b>	<b>249</b>	<b>4,133</b>	<b>1,678</b>	<b>6,060</b>	<b>568</b>	<b>6,628</b>

Rm	Separate					
	Land	Buildings	Plant and equipment	Total Owned	Leased Buildings	Total
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance at 1 January 2018</b>	–	(131)	(1,156)	(1,287)	–	(1,287)
Depreciation charge for the year	–	(74)	(163)	(237)	–	(237)
Reclassification to property, plant and equipment	–	–	(19)	(19)	–	(19)
Disposals	–	–	67	67	–	67
<b>Balance at 31 December 2018</b>	<b>–</b>	<b>(205)</b>	<b>(1,271)</b>	<b>(1,476)</b>	<b>–</b>	<b>(1,476)</b>
Depreciation charge for the period	–	(74)	(194)	(268)	(168)	(436)
Disposals	–	3	187	190	–	190
Foreign exchange and other movements	–	(44)	(28)	(72)	–	(72)
<b>Balance at 31 December 2019</b>	<b>–</b>	<b>(320)</b>	<b>(1,306)</b>	<b>(1,626)</b>	<b>(168)</b>	<b>(1,794)</b>
<b>Net carrying amount at:</b>						
31 December 2018	250	3,762	433	4,445	–	4,445
<b>31 December 2019</b>	<b>249</b>	<b>3,813</b>	<b>372</b>	<b>4,434</b>	<b>400</b>	<b>4,834</b>

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## G Non-Financial Assets and Liabilities

### G2: Fixed assets

#### (a): Property, plant and equipment

Rm	Consolidated					
	Land	Buildings	Plant and equipment	Total Owned	Leased Buildings	Total
<b>Gross carrying amount</b>						
<b>Balance at 1 January 2018</b>	91	2,419	1,623	4,133	–	4,133
Additions	125	1,404	284	1,813	–	1,813
Increase arising from revaluation	24	57	–	81	–	81
Transfer from investment property	10	87	–	97	–	97
Reclassification to property, plant and equipment	–	–	38	38	–	38
Disposals	–	–	(144)	(144)	–	(144)
<b>Balance at 31 December 2018</b>	<b>250</b>	<b>3,967</b>	<b>1,801</b>	<b>6,018</b>	<b>–</b>	<b>6,018</b>
Impact of the adoption of IFRS 16	–	–	–	–	522	522
<b>Adjusted opening balance</b>	<b>250</b>	<b>3,967</b>	<b>1,801</b>	<b>6,018</b>	<b>522</b>	<b>6,540</b>
Additions	–	86	271	357	82	439
Increase/(decrease) arising from revaluation	(1)	92	–	91	–	91
Transfer to/(from) investment property	–	–	–	–	–	–
Reclassification from property, plant and equipment	–	(31)	(38)	(69)	–	(69)
Disposals	–	(27)	(290)	(317)	–	(317)
Foreign exchange and other movements	–	46	8	54	–	54
Transfer to assets held for sale and distribution	–	–	–	–	–	–
<b>Balance at 31 December 2019</b>	<b>249</b>	<b>4,133</b>	<b>1,752</b>	<b>6,134</b>	<b>604</b>	<b>6,738</b>

Rm	Consolidated					
	Land	Buildings	Plant and equipment	Total Owned	Leased Buildings	Total
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance at 1 January 2018</b>	–	(131)	(1,231)	(1,362)	–	(1,362)
Depreciation charge for the year	–	(74)	(170)	(244)	–	(244)
Reclassification to property, plant and equipment	–	–	(19)	(19)	–	(19)
Disposals	–	–	68	68	–	68
<b>Balance at 31 December 2018</b>	<b>–</b>	<b>(205)</b>	<b>(1,352)</b>	<b>(1,557)</b>	<b>–</b>	<b>(1,557)</b>
Depreciation charge for the period	–	(74)	(200)	(274)	(174)	(448)
Reclassification from property, plant and equipment	–	–	19	19	–	19
Disposals	–	3	198	201	–	201
Foreign exchange and other movements	–	(44)	(28)	(72)	–	(72)
<b>Balance at 31 December 2019</b>	<b>–</b>	<b>(320)</b>	<b>(1,363)</b>	<b>(1,683)</b>	<b>(174)</b>	<b>(1,857)</b>
<b>Net carrying amount at:</b>						
31 December 2018	250	3,762	449	4,461	–	4,461
<b>31 December 2019</b>	<b>249</b>	<b>3,813</b>	<b>389</b>	<b>4,451</b>	<b>430</b>	<b>4,881</b>

The Group engages internal and independent external valuers to determine the carrying value of its owner-occupied property. Fair Value is determined by reference to market-based evidence. The valuations are carried out at intervals throughout the year by internal valuers and every three years by external valuers.

The carrying value that would have been recognised had owner-occupied property been carried under the historic cost model would be R 3,565 million (2018: R3,577 million) for the Group and Company.

Property, plant and equipment are classified as Level 3 in terms of the fair value hierarchy. Level 3 fair value measurements are those that include the use of significant unobservable inputs. The significant non-observable inputs used in the valuations are the expected rental values per square foot and the capitalisation rates. Details of the valuation techniques and ranges of estimates for unobservable inputs are disclosed in note G2(b).

#### Leased buildings

Year ended 31 December Rm	Separate	Consolidated
	2019	2019
<b>Amounts recognised in profit or loss</b>		
Finance expense on lease liabilities	41	42
Lease expense relating to short term leases	23	23
Lease expenses relating to low-value leases	5	5
<b>Amounts recognised in statement of cash flows</b>		
<b>Total cash outflow for leases in 2019</b>	<b>168</b>	<b>171</b>

#### Analysis of lease costs

The following table sets out the maturity analysis of undiscounted outstanding commitments under non-cancellable operating leases:

Year ended 31 December Rm	Separate	Consolidated
	2019	2019
Within one year	173	181
Greater than 1 year and less than 5 years	574	588
After five years	4	10
	<b>751</b>	<b>779</b>

#### Lease renewal options

Some leases of office buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

At 31 December 2019 Rm	Separate	
	Lease liabilities recognised (discounted)	Potential future lease payments not included in lease liabilities
Office buildings	434	4
	<b>Consolidated</b>	
<b>At 31 December 2019 Rm</b>	<b>Lease liabilities recognised (discounted)</b>	<b>Potential future lease payments not included in lease liabilities</b>
Office buildings	458	4

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## G Non-Financial Assets and Liabilities

### G2: Fixed assets

#### (b): Investment property

##### Classification

Includes real estate held to earn rentals or for capital appreciation or both. It does not include owner-occupied property. Certain investments properties are matched to policyholder liabilities.

##### Measurement

Investment properties are measured at fair value as determined by a registered independent valuer at least every three years, and annually by a locally qualified staff, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

For practical reasons, valuations are carried out on a cyclical basis over a 12-month period due to the large number of properties involved. In the event of a material change in market and property specific conditions between the valuation date and reporting date an internal valuation is performed and adjustments made to reflect any material changes in value.

Surpluses and deficits arising from changes in fair value and rental income are reflected as investment income in investment return in the income statement, as appropriate.

##### Fair value hierarchy of the Group's properties

The fair values of the Group's investment properties are categorised into Level 3 of the fair value hierarchy. The following table reconciles the fair value measurements of Group's investment properties:

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
Balance at beginning of the year	1,123	1,196	29,741	24,229
Additions	72	92	1,002	1,275
Additions from business combinations	-	-	1,108	3,826
Disposals	-	(364)	-	(372)
Net (decrease)/increase from fair value adjustments	(118)	(88)	(633)	284
Transferred to property, plant and equipment	-	(97)	-	(96)
Foreign exchange and other movements	(45)	-	(135)	211
Transfer (to)/from assets held for sale	-	384	(516)	384
<b>Balance at end of the year</b>	<b>1,032</b>	<b>1,123</b>	<b>30,567</b>	<b>29,741</b>

All of the Group's investment properties are located in Africa, Romania and Bulgaria and are principally held within the policyholder funds.

The fair value of investment property leased to third parties under long-term operating leases, with rentals payable is as follows:

Year ended 31 December Rm	Separate	
	2019	2018
Freehold	1,026	1,123
Leasehold	6	-
	<b>1,032</b>	<b>1,123</b>

Year ended 31 December Rm	Consolidated	
	2019	2018
Freehold	30,294	29,439
Leasehold	273	302
	<b>30,567</b>	<b>29,741</b>

##### Amounts recognised in profit or loss or investment properties

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
Rental income from investment property	169	159	2,714	2,607
Direct operating expense arising from investment property that did not generate rental income	(23)	(12)	(578)	(612)

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## G Non-Financial Assets and Liabilities

### G2: Fixed assets

The table below sets out information about significant unobservable inputs used at year end in measuring investment properties categorised at level 3:

Type of property	Valuation approach	Key unobservable inputs	Range of estimates for unobservable inputs
Income-generating assets – commercial/ retail/ industrial properties and owner occupied properties	Valued using the internationally and locally recognised Discounted Cash Flow (DCF) method. A minimum of five years (if required for specific leases, a longer period is used) of net income is discounted at a market-related rate, together with the present value of the capitalised net income in year six. Net income is determined by considering gross income, vacancies and lease obligations from which all normalised operating expenditure is deducted. The discount rate is determined with reference to the current market conditions and is constantly monitored by reference to comparable market transactions.	Valuation capitalisation and discount rates are based on industry guidelines predominantly from South African Property Owners Association (SAPOA) and Investment Property Databank (IPD) as well as comparison to listed property funds in South Africa. For properties in Bulgaria and Romania, valuation yields and discount rates are based on industry guidelines from the Bulgarian National Statistics Institute and Association of Authorised Romanian Valuers (ANEVAR) respectively. Where market rentals are used, these are based on the valuers assumptions and information they have based on similar valuations they have done or sourced from external brokers. Vacancy rates are based on property specific data.	<b>South African Properties:</b> <b>Office</b> Capitalisation rates: 8% Discount rates: 13.5% Market rentals: R100 to R175 per m <sup>2</sup> Vacancy rates: 25% <b>Retail</b> Capitalisation rates: 6.5% to 10.5% Discount rates: 12.5% to 15.5% Market rentals: R22 to R2 222 per m <sup>2</sup> Vacancy rates: 0% to 59.5% <b>Industrial</b> Capitalisation rates: 8.25% to 10.5% Discount rates: 14% to 16% Market rentals: R25 to R75 per m <sup>2</sup> Vacancy rates: 0% to 10.9% <b>Bulgarian Properties:</b> <b>Office</b> Capitalisation rates: 7.4% Discount rates: 8.10% to 10.10% Market rentals per: EUR 139 to EUR 154 per m <sup>2</sup> Vacancy rates: 2.75% <b>Romanian Properties:</b> <b>Office</b> Capitalisation rates: 7.0% Discount rates: 7.23% to 9.25% Market rentals per: EUR 15 per m <sup>2</sup> Vacancy rates: 2.5%
Land	Valued according to the existing zoning and town planning scheme at the date of valuation. However there are cases where exceptional circumstances need to be considered.	The land per m <sup>2</sup> and bulk per m <sup>2</sup> are based on comparable sales and zoning conditions. Discount rates are based on industry guidelines predominantly from SAPOA and IPD as well as comparison to listed property funds in South Africa.	Land Bulk per m <sup>2</sup> (net): R262 to R2,611
Near vacant properties	Land value less the estimated cost of demolition	Recent sales of land in the area and local government valuation rolls adjusted for estimated cost of demolition.	Land value per m <sup>2</sup> : R75 to R4,000

### (c) Sensitivity analysis

Rm	Consolidated	
	2019	2018
An increase of 1% in discount rates would decrease the fair value by:	(316)	(284)
A decrease of 1% in discount rates would increase the fair value by:	331	287
An increase of 10% in market rentals per m <sup>2</sup> would increase the fair value by:	441	181
A decrease of 10% in market rentals per m <sup>2</sup> would decrease the fair value by:	(404)	(174)

### (d) Operating lease arrangements (with the Group as lessor)

Investment property comprises a portfolio of retail, commercial and industrial properties that are leased to third parties. These leases are classified as operating leases, because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets. Each lease has a defined lease period and financial terms. Renewal negotiations with tenants commence prior to expiry of their current lease agreement. Lease periods vary and are dependent on the tenant and property type. No contingent rents are charged.

Rm	Consolidated	
	2019	2018
<b>Total future minimum lease receivables under operating leases</b>		
Within one year	3,490	2,056
Greater than 1 year and less than 5 years	4,671	4,050
After five years	1,558	1,357
	<b>9,719</b>	<b>7,463</b>

### G3: Deferred acquisition costs

Deferred acquisition costs relate to costs that the Group incurred to obtain new business. These acquisition costs are capitalised in the statement of financial position and are amortised in profit or loss over the life of the contracts.

The following table analyses the movements in deferred acquisition costs relating to insurance, investment and asset management contracts.

Year ended 31 December Rm	Separate
	Investment contracts
<b>Balance at 1 January 2018</b>	1,204
New business	316
Amortisation	(352)
Foreign exchange and other movements	67
<b>Balance at 31 December 2018</b>	<b>1,235</b>
New business	334
Amortisation	(311)
Foreign exchange and other movements	25
<b>Balance at 31 December 2019</b>	<b>1,283</b>

Based on the maturity profile of the above assets, R208 million (2018: R351 million) is recoverable within 12 months from the reporting date. R1,095 million (2018: R884 million) as non-current.

Year ended 31 December Rm	Consolidated		
	Investment contracts	Asset management	Total
<b>Balance at 1 January 2018</b>	1,204	1,141	2,345
Impact of the adoption of IFRS 15	–	(848)	(848)
<b>Restated opening balance</b>	1,204	293	1,497
New business	316	–	316
Amortisation	(352)	(1)	(353)
Foreign exchange and other movements	67	–	67
<b>Balance at 31 December 2018</b>	<b>1,235</b>	<b>292</b>	<b>1,527</b>
New business	334	20	354
Amortisation	(311)	(36)	(347)
Foreign exchange and other movements	25	–	25
<b>Balance at 31 December 2019</b>	<b>1,283</b>	<b>276</b>	<b>1,559</b>

Based on the maturity profile of the above assets, R236 million (2018: R348 million) is recoverable within 12 months from the reporting date. R1,323 million (2018: R1,179 million) is non-current.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## G Non-Financial Assets and Liabilities

### G4: Trade, other receivables and other assets

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
Debtors arising from direct insurance operations				
Amounts owed by policyholders	913	434	998	507
Amounts owed by intermediaries	825	723	835	733
Other	702	274	702	274
	<b>2,440</b>	1,431	<b>2,535</b>	1,514
Debtors arising from reinsurance operations	293	348	336	405
Outstanding settlements	339	426	3,496	3,717
Other receivables	497	243	977	976
Accrued interest and rent	3,597	3,195	3,683	3,274
Prepayments and accrued income	228	252	262	277
Other assets	2,783	3,695	3,675	3,732
<b>Total trade, other receivables and other assets</b>	<b>10,177</b>	9,590	<b>14,964</b>	13,895

Included in the amounts above for OMLACSA separate R9,880 million (2018: R9,590 million) that are regarded as current with the remainder regarded as non-current.

Included in the amounts above for OMLACSA Group R10,847 million (2018: R13,895 million) that are regarded as current with the remainder regarded as non-current.

### G5: Provisions and accruals

Year ended 31 December Rm	Separate				
	Compensation provisions	Restructuring provisions	Provision for donations	Other	Total
<b>Balance at 31 December 2018</b>	333	–	576	101	1,010
Charge to profit or loss	–	12	6	133	151
Utilised during the year	(16)	–	–	(108)	(124)
Transfer from other liabilities	–	–	–	402	402
Foreign exchange and other movements	–	–	–	4	4
<b>Balance at 31 December 2019</b>	<b>317</b>	12	582	532	1,443

Year ended 31 December Rm	Consolidated				
	Compensation provisions	Restructuring provisions	Provision for donations	Other	Total
<b>Balance at 31 December 2018</b>	333	–	576	133	1,042
Charge to profit or loss	–	12	6	164	182
Utilised during the year	(16)	–	–	(108)	(124)
Transfer from other liabilities	–	–	–	570	570
Foreign exchange and other movements	–	–	–	3	3
<b>Balance at 31 December 2019</b>	<b>317</b>	12	582	762	1,673

### G5: Provisions and accruals

#### Separate and consolidated analysis of provisions and accruals

Compensation provisions at 31 December 2019 comprise:

- R152 million (2018: R159 million) relating to regulatory uncertainty and multiple causal events;
- R165 million (2018: R174 million) relates to the provision for claw-back of prescribed claims. This provision is held to allow for the probable future payment of claims that have been previously reversed. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. Estimates of this provision are reviewed annually and are adjusted as and when new circumstances arise.

Of the total client compensation provisions, R317 million (2018: R333 million) is estimated to be payable after 12 months from the reporting date.

#### Restructuring provisions

The restructuring balance predominately relates to a closure provision recognised by the Old Mutual Hong Kong branch in 2019. The provision is expected to be utilised in the next 12 months.

#### Provisions for donations

The provision for donations is predominately held in respect of commitments made by the South African business to the future funding of charitable donations. The funds were made available on the closure of the Group's unclaimed shares trusts which were set up as part of the demutualisation in 1999 and closed in 2006. All of this is regarded to be payable after more than one year due to the long-term nature of the agreements in place.

#### Other provisions

Other provisions include long-term staff benefits, loyalty provision and amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties. These provisions are generally individually immaterial.

Where material, provisions and accruals are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments in respect of some of the provisions, particularly those in respect of litigation claims and similar actions against the Group, are uncertain and could result in adjustments to the amounts recorded. Of the total provisions shown above, R1,209 million (2018: R963 million) is estimated to be payable after one year.

### G6: Deferred revenue

Deferred revenue relates to initial fees received for the future provision of services that the Group will render on investment management contracts. These fees are capitalised in the consolidated statement of financial position and are amortised in profit or loss over the expected life of the contracts. The table below analyses the movements in deferred revenue.

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Balance at 1 January</b>	66	151	136	1,070
Impact of adopting IFRS 15, net of taxation	–	–	–	(875)
<b>Restated opening balance</b>	<b>66</b>	151	<b>136</b>	195
Fees and commission income deferred	48	47	48	72
Amortisation	(44)	(31)	(63)	(48)
Foreign exchange and other movements	(5)	(101)	1	(83)
<b>Balance at 31 December</b>	<b>65</b>	66	<b>122</b>	136

Based on the maturity profile of the above liabilities from a separate company perspective, Rnil million (2018: R31 million) is recoverable within 12 months from the reporting date. R65 million (2018: R35 million) as non-current.

Based on the maturity profile of the above liabilities from a consolidated perspective, R43 million (2018: R48 million) is recoverable within 12 months from the reporting date. R79 million (2018: R88 million) as non-current.

### G7: Deferred tax assets and liabilities

Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the temporary differences arise.

#### (a) Deferred tax assets

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, where on the basis of all available evidence, it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

The movement on the deferred tax assets account is as follows:

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## G Non-Financial Assets and Liabilities

### G7: Deferred tax assets and liabilities

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Deferred tax asset</b>				
Tax losses carried forward	34	38	162	156
Investment contracts	–	–	1	3
Other temporary differences	3	20	2	30
<b>Total</b>	<b>37</b>	<b>58</b>	<b>165</b>	<b>189</b>

The amounts for which no deferred tax asset has been recognised comprise:

At 31 December Rm	Consolidated			
	2019		2018	
	Gross amount	Tax	Gross amount	Tax
<b>Unrelieved tax losses</b>				
Expiring in less than a year	37	18	21	18
Expiring in the second to fifth years inclusive	353	132	951	274
Expiring after five years	615	172	444	147
<b>Total</b>	<b>1,005</b>	<b>322</b>	<b>1,416</b>	<b>439</b>

#### (b) Deferred tax liabilities

The movement on the deferred tax liabilities account is as follows:

At 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Deferred tax liabilities</b>				
Deferred acquisition costs	–	(101)	(35)	(145)
Capital gains tax - shareholder	(148)	(169)	(148)	(175)
Capital gains tax - policyholder	(1,984)	(947)	(3,151)	(2,557)
Other temporary differences	(230)	(328)	(235)	(340)
<b>Total</b>	<b>(2,362)</b>	<b>(1,545)</b>	<b>(3,569)</b>	<b>(3,217)</b>
<b>Reconciliation of net deferred tax liability</b>				
At beginning of the year	(1,487)	(5,490)	(3,028)	(6,660)
Income statement charge	(958)	3,972	(388)	3,912
IFRS 9	–	9	–	11
IFRS 15	–	–	–	(7)
Addition from business combination	–	–	(9)	(303)
Foreign exchange and other movements	27	2	67	11
Charged to other comprehensive income	93	20	(46)	8
<b>At end of the year</b>	<b>(2,325)</b>	<b>(1,487)</b>	<b>(3,404)</b>	<b>(3,028)</b>

### G8: Trade, other payables and other liabilities

At 31 December Rm	Notes	Separate		Consolidated	
		2019	2018	2019	2018 (Re-presented) <sup>1</sup>
Amounts payable on direct insurance business					
Amounts owed to policyholders		2,063	3,611	2,101	3,181
Amounts owed to intermediaries		759	544	759	547
Other direct insurance operation creditors		434	–	434	–
		<b>3,256</b>	<b>4,155</b>	<b>3,294</b>	<b>3,728</b>
Accounts payable on reinsurance business		–	–	81	–
Accruals and deferred income		1,485	1,496	1,592	1,583
Post-employment benefits	11	1,363	1,388	1,363	1,388
Share-based payments – cash-settled scheme liabilities	12	424	385	424	385
Outstanding settlements		4,516	5,465	9,394	8,080
Obligations in relation to collateral holdings		2,236	2,719	2,236	2,719
Interest bearing liabilities	G8.1	–	–	11,176	10,966
Other liabilities		13,823	7,604	15,161	7,172
<b>Trade, other payables and other liabilities</b>		<b>27,103</b>	<b>23,212</b>	<b>44,721</b>	<b>36,021</b>

<sup>1</sup> Trade, other payables and other liabilities at 31 December 2018 have been re-presented to include interest bearing liabilities that was previous disclosed within borrowed funds. Details of these liabilities have been disclosed in note G8.1 below.

Included in the amounts above for OMLACSA separate R21,163 million (2018: R14,395 million) is regarded as current with the remainder regarded as non-current.

Included in the amounts above for OMLACSA Group R22,164 million (2018: R20,192 million) is regarded as current with the remainder regarded as non-current.

## Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

### G Non-Financial Assets and Liabilities

#### G8: Trade, other payables and other liabilities

##### G8.1 Interest bearing liabilities

The following table provides an analysis the interest bearing liabilities included in trade, other payables and other liabilities:

At 31 December 2019 Rm	Maturity Date	Consolidated	
		2019	2018
<b>Floating rate term loans</b>			
USD71 million drawn of a USD100 million facility at 3 month LIBOR + 3.06%	Repaid	–	1,018
EUR16 million drawn of a EUR16 million facility at 3 month EURIBOR + 2.25%	February 2021	252	263
EUR20 million drawn of a EUR20 million facility at 3 month EURIBOR + 2.35%	February 2021	315	329
GBP25 million drawn of GBP25 million facility at 3 month LIBOR + 2.40%	February 2021	466	459
R500 million drawn of a R500 million facility at 3 month JIBAR + 1.89%	April 2021	509	509
R500 million drawn of a R500 million facility at 3 month JIBAR + 1.89%	April 2021	509	509
R100 million drawn of a R500 million facility at 1 month JIBAR + 1.65%	March 2022	100	500
R1 billion drawn of a R1 billion facility at 3 month JIBAR + 1.55%	March 2022	1,000	1,000
EUR64 million drawn of EUR80 million facility at 3 month EURIBOR + 2.32%	May 2022	999	–
EUR69 million drawn of EUR69 million facility at 3 month EURIBOR + 3.30%	May 2022	1,028	1,119
GBP22 million drawn of GBP22 million facility at 3 month LIBOR + 2.60%	June 2022	399	393
EUR77 million drawn of a EUR100 million facility at 3 month EURIBOR + 2.77%	February 2023	1,204	1,258
EUR30 million drawn of EUR30 million facility at 3 month EURIBOR + 2.60%	July 2023	471	494
EUR49 million drawn of a EUR68 million facility at 3 month EURIBOR + 2.60%	October 2023	739	784
R500 million drawn of a R500 million facility at 3 month JIBAR + 1.85%	March 2024	500	500
EUR16 million drawn of EUR16 million facility at 3 month EURIBOR + 2.76%	June 2024	251	–
EUR38 million drawn of EUR38 million facility at 3 month EURIBOR + 2.25%	March 2025	597	–
R400 million drawn of a R400 million facility at 3 month JIBAR + 1.70%	April 2026	407	–
<b>Fixed rate term loans</b>			
R400 million drawn at 9.25%	Repaid	–	403
R300 million drawn at 8.10%	April 2020	305	305
R300 million drawn at 8.46%	April 2021	305	306
R300 million drawn at 8.70%	April 2022	306	306
GBP11 million drawn at 4.29%	October 2022	208	205
R300 million drawn at 8.87%	April 2023	306	306
<b>Total interest bearing liabilities</b>		<b>11,176</b>	<b>10,966</b>

#### G9: Share capital

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

##### (a) Authorised share capital

At 31 December Rm	Separate and consolidated	
	2019	2018
10,000,000 ordinary shares of R1 each	10	10
10 redeemable preference shares of R1 each	–	–
	<b>10</b>	<b>10</b>

##### (b) Issued share capital and share premium

At 31 December Rm	2019		2018	
	8,000,001 ordinary shares	8	–	8
1 redeemable preference share of R1	–	–	–	–
Share premium	<b>6,415</b>	–	6,415	–

Subject to the restrictions imposed by the Companies Act, 71 of 2008, the unissued shares are under the control of the Directors until the forthcoming annual general meeting.

The preference shares may be redeemed by the Company by giving 30 days' written notice to the holder. The preference shareholder has the right to receive a dividend of R100 per share or an additional amount at the discretion of the Company's directors. The preference shareholder has full voting rights.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## H: Interests in Subsidiaries, Associates and Joint Ventures

### Basis of consolidation and equity accounting

	Subsidiaries	Associates	Joint Ventures
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%	Between 20% and 50%
Nature of the relationship	Entities over which the group has control as defined in IFRS 10 are consolidated.	Entities over which the group has significant influence as defined in IAS 28.	A joint arrangement in terms of which the group and the other contracting parties have joint control as defined in IFRS 11.

### Critical accounting estimates and judgements – Investments in subsidiaries, associated undertakings and joint ventures

The Group has applied the following key judgements in the application of the requirements of the consolidation set of standards (IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'):

#### Consolidation of investment funds and securitisation vehicles

The Group acts as a fund manager to a number of investment funds. In determining whether the Group controls such a fund, it will focus on an assessment of the aggregate economic interests of the Group (comprising any carried interests and expected management fees) and the investor's rights to remove the fund manager. This general assessment is supplemented by an assessment of third-party rights in the investment funds, with regards to their practical ability to allow the Group not to control the fund. The Group assesses, on an annual basis, such interests to determine if the fund will be consolidated. The non-controlling interests in investment funds consolidated by the Group are classified as third-party interests in consolidated funds, a financial liability, in the consolidated statement of financial position. These interests are classified at fair value through profit or loss and measured at fair value, which is equal to the bid value of the number of units of the investment funds' scheme not owned by the Group.

The Group has sponsored certain asset-backed financing (securitisation) vehicles under its securitisation programme which are run according to pre-determined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of junior debt securities in the vehicles. It has concluded that it controls these vehicles and therefore has consolidated these asset-backed financing vehicles.

#### Structured entities

The Group is required to make judgements on what constitutes a structured entity. Accounting standards define a structured entity as an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an economic interest, the Group considers numerous factors. These factors may include the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee and the size of its exposure to the variability of returns of the investee. The Group has evaluated all exposures and has concluded that all investments in investment funds as well as certain securitisation vehicles and other funding vehicles represent investments in structured entities.

## HI: Subsidiaries

### (a)(i) Investments in subsidiaries, associated undertakings and joint ventures

The following table lists the Company's investments in subsidiaries, associated undertakings and joint ventures.

All shares held are ordinary shares and are held directly or indirectly by the Company.

Rm	2019 and 2018		2019	2018
	Number of issued ordinary shares	% interest	Carrying value	Carrying value
<b>Listed associated undertakings</b>				
Nedbank Limited <sup>1</sup>	98,913,652	19.9%	21,197	27,348
<b>Unlisted associated undertakings</b>				
NMT Capital (Pty) Ltd	30	20%	14	13
NMT Group (Pty) Ltd <sup>1</sup>	2,000	19%	–	–
<b>Unlisted joint ventures</b>				
Old Mutual – CHN Energy Life Insurance Company Ltd. (previously Old Mutual Guodian Life Insurance Company Ltd) <sup>2</sup>	2,326,134	50%	1,453	1,160
<b>Unlisted subsidiaries</b>				
Old Mutual Technology Holdings (Pty) Ltd <sup>1</sup>	11,000	100%	12	5
Rodina Investments (Pty) Ltd <sup>1</sup>	100,100	100%	–	–
Community Property Holdings Ltd <sup>3</sup>	1,472,272,658	89.2%	3,901	3,774
Old Mutual Alternative Solutions Ltd <sup>1</sup>	45,000,001	100%	84	86
Old Mutual Health (Pty) Ltd <sup>1</sup>	15,000,000	100%	1	–
Agility Broker Services (Pty) Ltd <sup>1</sup>	50,000	100%	–	–
Old Mutual Alternative Risk Transfer Ltd <sup>1</sup>	136	100%	30	85
Celestis Broker Services (Pty) Ltd <sup>1</sup>	100	100%	–	–
Old Mutual Wealth (Pty) Ltd <sup>1</sup>	122	100%	5,919	6,354
Old Mutual Real Estate Holding Company (Pty) Ltd <sup>1</sup>	1,223,657,627	100%	14,256	14,415
22 Seven Digital (Pty) Ltd <sup>1</sup>	2,541	100%	3	6
Grand Central Airport (Pty) Ltd <sup>1</sup>	9,000	100%	267	256
Old Mutual Alternative Investments Holdings (Pty) Ltd <sup>1</sup>	130	100%	–	54
Blue Hawk VI (Pty) Ltd <sup>1</sup>	1	100%	286	502
			<b>47,423</b>	<b>54,058</b>

<sup>1</sup> Country of incorporation: Republic of South Africa

<sup>2</sup> Country of incorporation: China

<sup>3</sup> Included in the investment in Community Property Holding (Pty) Ltd is a loan receivable of R2,613 million (2018: R2,517 million).

### (a)(ii) Analysis of capital advances to Group undertakings

The Company has advanced capital amounting to R4,472 million (2018: R4,607 million) to Old Mutual Capital Holding (Pty) Limited.

Of the R4,472 million due by Old Mutual Capital Holding (Pty) Ltd, R3,689 million is unsecured but interest is levied at market related rates and have fixed terms of repayment with a last date of repayment of 30 June 2024. The remainder of the amounts due by this fellow subsidiary is unsecured, interest free and have fixed terms of repayment with a final tranche of repayment by 2 January 2024. In arriving at the carrying value of this portion of the loan cash flows are discounted to present value using interest rates applicable to characteristic of similar loans.



# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## H: Interests in Subsidiaries, Associates and Joint Ventures

### H1: Subsidiaries

#### (a)(iii) Amounts due by/(to) group companies

The following tables provide analysis of the amount due to and from Group companies.

At 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
Amounts due by Group companies	5,044	3,216	1,991	1,832
Amounts due to Group companies	(1,411)	(1,271)	(1,435)	(3,151)
	3,633	1,945	556	(1,319)

At 31 December Rm	Separate			
	2019	2018		
<b>Subsidiaries and associates</b>				
Old Mutual Alternative Risk Transfer Ltd	1,852		7	
Celestis Broker Services (Pty) Ltd	9		(3)	
Old Mutual Unit Trust Managers (RF) (Pty) Ltd	22		23	
Old Mutual Real Estate Holding Company (Pty) Ltd	753		633	
Masthead (Pty) Ltd	3		(1)	
Acsis (Pty) Ltd	-		12	
Old Mutual Alternative Solutions Ltd	2		2	
22 Seven Digital (Pty) Ltd	(20)		-	
Old Mutual Technology Holdings (Pty) Ltd	(3)		(3)	
Old Mutual Wealth Services Company (Pty) Ltd	-		3	
Old Mutual Wealth Trust Company (Pty) Ltd	69		128	
Grand Central Airport (Pty) Ltd	-		(1)	
Old Mutual Wealth Services Company (Pty) Ltd	(1)		-	
Old Mutual Investment Services (Pty) Ltd	242		578	
	2,928		1,378	

At 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Holding companies</b>				
Old Mutual Emerging Markets (Pty) Ltd (intermediary holding company)	195	130	195	130
Old Mutual Group Holdings (SA) Ltd (intermediary holding company)	-	11	-	(196)
Old Mutual Limited (ultimate holding company)	48	57	48	57
	243	198	243	(9)

#### (a)(iii) Amounts due by/(to) group companies

The following tables provide analysis of the amount due to and from Group companies.

At 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
<b>Fellow subsidiaries</b>				
Old Mutual (South Africa) Foundation	-	55	-	55
Old Mutual (Africa) Holdings (Pty) Ltd	32	316	32	316
Old Mutual Capital Holdings (Pty) Ltd	-	(8)	-	(8)
Old Mutual Investment Group (Pty) Ltd	-	(5)	-	(25)
Royal Skandia Life Assurance Ltd	-	3	-	3
Old Mutual (South Africa) Share Trust	(149)	78	(149)	78
Old Mutual (South Africa) Dividend Access Trust	-	(655)	-	(655)
Old Mutual Investment Administrators (Pty) Ltd	30	22	30	22
Old Mutual Specialised Finance (Pty) Ltd	60	70	60	(1,555)
Old Mutual Finance (Pty) Ltd	132	(21)	132	(21)
Old Mutual Life Assurance Company (Namibia) Ltd	-	351	-	351
Old Mutual Holdings (Kenya) Ltd	98	75	98	75
Old Mutual South Africa Broad Based Employee Share Trust	-	(115)	-	(115)
Old Mutual Black Distributors Trust	-	85	-	85
Old Mutual Education Trust	-	6	-	6
Old Mutual Corporate Real Estate Asset Management (Pty) Ltd	-	4	-	4
Old Mutual Transaction Services (Pty) Ltd	9	7	9	7
Global Edge Technologies (Pty) Ltd	-	6	-	6
OM Zimbabwe Holdco Limited	-	77	-	77
Old Mutual Holdings Limited	-	(2)	-	(2)
Mutual & Federal Insurance Company Limited (OM Insure)	-	36	-	36
Mexico Old Mutual Life S.A. de C. V.	-	12	-	12
Futuregrowth Asset Management (Pty) Ltd	(4)	14	(4)	14
Old Mutual Alternative Investments (Pty) Ltd	(19)	-	(19)	-
OM Capital Holdings AM	22	-	22	-
Max LISP Products	86	-	-	-
OMSA Management Incentive Trust	(517)	(427)	(517)	(427)
Old mutual Direct Holdings (Pty) Ltd	4	34	4	34
Old Mutual Investment Group (Pty) Ltd	18	-	18	-
African Infrastructure Investment Managers (Pty) Ltd	10	-	10	-
Individual Life Namibia	181	-	181	-
Services Namibia	275	-	275	-
Old Mutual Investment Group (Namibia) (Pty) Ltd	2	-	2	-
Central Africa Building Society	7	6	7	6
Old Mutual Zimbabwe Ltd	101	-	101	-
Old Mutual Shared Services (Pvt) Ltd	16	-	16	-
Old Mutual Life Assurance Company (Malawi) Ltd	12	16	12	16
Old Mutual Life Assurance Co (Swaziland) Ltd	7	10	7	10
Faulu Microfinance Bank Ltd	9	3	9	3
Old Mutual Life Assurance Company (Ghana) Ltd	19	17	19	17
Mutual and Federal Insurance SA	49	-	49	-
Old Mutual Life Insurance Company (Botswana) Ltd	9	-	9	-
UAP Holdings Ltd	28	19	28	19
Old Mutual Limited Broad-Based Black Economic Empowerment Employee Trust	336	169	336	169
Old Mutual Limited Employee Trust	169	36	169	36
The Old Mutual Black Distributors Trust	107	17	107	17
Old Mutual International (Guernsey) Ltd	6	-	-	-
OMSA Broad-Based Employee Share Trust	(74)	-	(74)	-
Old Mutual Dividend Access Trust	(612)	-	(612)	-
Mutual & Federal Investments (Pty) Ltd	(1)	-	(1)	-
Other	4	58	(53)	24
	462	369	313	(1,310)
	3,633	1,945	556	(1,319)

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## H: Interests in Subsidiaries, Associates and Joint Ventures

### H1: Subsidiaries

All amounts due by or to group companies above are unsecured, interest free and are not subject to fixed terms of repayment.

#### (b) Transactions with related entities

The Company's immediate holding Company is Old Mutual Emerging Markets (Pty) Ltd, incorporated in South Africa, which holds 100% of the Company's ordinary shares. The ultimate holding company is Old Mutual Limited, incorporated in South Africa.

The Company's principal associates, joint ventures and subsidiaries together with amounts due by or to them, are listed in notes H1

Other Group companies consist of fellow subsidiaries and associates.

Rm	Separate 2019			
	Holding company	Fellow subsidiaries	Subsidiaries	Associates
<b>Income statement</b>				
Interest income	-	311	1,804	355
Dividend income	-	-	251	1,433
Fee income/(expense)	-	41	(169)	(100)
Insurance contract premiums income	-	-	18	(157)
Reinsurance contract premiums income	-	-	48	-
Claims and policyholder benefits income	-	-	41	-
Reinsurance contract benefits expenses	-	-	(37)	-
<b>Statement of financial position</b>				
Cash and short-term securities	-	-	-	4,119
Zero coupon bonds held	-	2,379	-	-
Credit linked notes including interest	-	13	-	-
Collateral owing	-	(1,871)	-	-
Call loans including interest	-	203	-	-
Promissory notes	-	652	-	-
Preference shares	-	-	-	-
Bonds including interest	-	-	-	2,031
<b>Statement of changes in equity</b>				
Dividends declared	(2,439)	-	-	-

Rm	Separate 2018			
	Holding company	Fellow subsidiaries	Subsidiaries	Associates
<b>Income statement</b>				
Interest income	-	552	1,649	352
Dividend income	-	57	63	-
Fee income/(expense)	-	(325)	364	-
Insurance contract premiums expenses	-	(42)	-	-
Reinsurance contract premiums income	-	51	-	-
Claims and policyholder benefits income	-	36	-	-
Reinsurance contract benefits expenses	-	(65)	-	-
<b>Statement of financial position</b>				
Cash and short-term securities	-	-	-	8,077
Zero coupon bonds held	-	3,651	-	-
Credit linked notes including interest	-	890	-	-
Collateral owing	-	(2,685)	-	-
Call loans including interest	-	949	-	-
Promissory notes	-	825	-	-
Preference shares	-	634	-	-
Bonds including interest	-	-	-	(2,353)
<b>Statement of changes in equity</b>				
Dividends declared	(4,421)	-	-	-

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## H: Interests in Subsidiaries, Associates and Joint Ventures

### H1: Subsidiaries

#### (b) Transactions with related entities

Rm	Consolidated 2019			
	Holding company	Fellow subsidiaries	Subsidiaries	Associates
<b>Income statement</b>				
Interest income	-	174	-	370
Dividend income	-	-	-	-
Fee expense	-	(119)	-	-
Insurance contract premiums income	-	-	18	-
Reinsurance contract premiums income	-	-	48	-
Claims and policyholder benefits income	-	-	41	-
Reinsurance contract benefits expenses	-	-	(37)	-
<b>Statement of financial position</b>				
Cash and short-term securities	-	-	-	4,331
Zero coupon bonds held	-	2,379	-	-
Credit linked notes including interest	-	13	-	-
Collateral owing	-	(1,871)	-	-
Call loans including interest	-	203	-	-
Promissory notes	-	652	-	-
Bonds including interest	-	-	-	2,031
<b>Statement of changes in equity</b>				
Dividends declared	(2,439)	-	-	-

Rm	Consolidated 2018			
	Holding company	Fellow subsidiaries	Subsidiaries	Associates
<b>Income statement</b>				
Interest income	-	414	-	352
Dividend income	-	57	-	-
Fee expense	-	(88)	-	-
Insurance contract premiums expenses	-	(42)	-	-
Reinsurance contract premiums income	-	51	-	-
Claims and policyholder benefits income	-	36	-	-
Reinsurance contract benefits expenses	-	(65)	-	-
<b>Statement of financial position</b>				
Cash and short-term securities	-	-	-	8,077
Zero coupon bonds held	-	3,651	-	-
Credit linked notes including interest	-	890	-	-
Collateral owing	-	(2,685)	-	-
Call loans including interest	-	949	-	-
Promissory notes	-	825	-	-
Preference shares	-	-	-	-
Bonds including interest	-	-	-	(2,353)
<b>Statement of changes in equity</b>				
Dividends declared	(4,421)	-	-	-

At 31 December 2019, corporate bonds with a fair value of R4,056 million (2018: R5,845 million) mortgages, loans and structured notes with a fair value of R1,118 million (2018: R2,235 million) had been lent to Old Mutual Specialised Finance (Pty) Ltd.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## H: Interests in Subsidiaries, Associates and Joint Ventures

### H2 Investments in associated undertakings and joint ventures

#### (a) Aggregate Group investment in associated undertakings and joint ventures

The following table presents the aggregate amounts for investment in associated undertakings and joint ventures at 31 December 2019:

Year ended 31 December Rm	Consolidated	
	2019	2018
Balance at beginning of the year	27,188	2,222
Additions of investment in associated undertakings and joint ventures	34	24,588
Disposal of investment in associated undertakings and joint ventures	(142)	–
Share of profit after tax	2,234	514
Share of other comprehensive losses	(216)	–
Impairment provision for investments in associate companies	(869)	–
Dividend income	(1,493)	(9)
Foreign exchange and other movements	(27)	(127)
<b>Balance at end of the year</b>	<b>26,709</b>	<b>27,188</b>

#### (b) Analysis of equity accounted and fair value investments in associated undertakings and joint ventures

Of the total carrying value of associates and joint-ventures, R1,233 million (2018: R1,268 million) relates to those that measured at fair value and R25,476 million (2018: R25,920 million) relates to those that have been equity accounted. The Group's equity accounted and fair value investments in associated undertakings and joint ventures are as follows:

At 31 December 2019 Rm	Nature of activities	Percentage holding	Measurement method	Carrying amount	Group share of profit
<b>Associated undertakings</b>					
<b>Listed</b>					
Nedbank Limited <sup>3</sup>	Banking	19.9%	Equity accounted	24,282	2,418
<b>Individually immaterial associates</b>					
<b>Unlisted</b>					
Two Rivers Lifestyle Centre <sup>1</sup>	Property	50%	Fair value	115	(334)
Squarestone Growth LLP <sup>2</sup>	Property	42%	Fair value	920	121
Kabokweni Plaza Shareblock Proprietary Limited <sup>3</sup>	Property	49%	Fair value	107	10
Richmond Park Development Company (Pty) Ltd <sup>3</sup>	Property	38%	Fair value	54	(5)
King Air (Pty) Ltd <sup>3</sup>	Property	50%	Fair value	64	18
Old Mint (Pty) Ltd <sup>3</sup>	Property	50%	Fair value	70	3
Other individually immaterial associates				26	(7)
<b>Total investment in associate undertakings</b>				<b>25,638</b>	<b>2,224</b>
<b>Joint ventures</b>					
<b>Unlisted</b>					
Old Mutual – CHN Energy Life Insurance Company Ltd. (previously Old Mutual Guodian Life Insurance Company Ltd) <sup>4</sup>	Life assurance	50%	Equity accounted	1,071	10
<b>Total investment in joint ventures</b>				<b>1,071</b>	<b>10</b>
<b>Total investments in associates and joint ventures</b>				<b>26,709</b>	<b>2,234</b>

<sup>1</sup> Country of incorporation: Kenya.

<sup>2</sup> Country of incorporation: United Kingdom.

<sup>3</sup> Country of incorporation: Republic of South Africa.

<sup>4</sup> Country of incorporation: China.

At 31 December 2018 Rm	Nature of activities	Percentage holding	Measurement method	Carrying amount	Group share of profit
<b>Associated undertakings</b>					
Nedbank Limited	Banking	19.9%	Equity accounted	24,771	549
<b>Individually immaterial associates</b>					
<b>Unlisted</b>					
Two Rivers Lifestyle Centre	Property	50%	Fair value	211	
Squarestone Growth LLP	Property	43%	Fair value	862	42
Kabokweni Plaza Shareblock Proprietary Limited	Property	49%	Fair value	97	13
Newtown Motor Dealership (Pty) Ltd	Property	50%	Fair value	96	1
Richmond Park Development Company (Pty) Ltd	Property	38%	Fair value	45	(3)
Old Mint (Pty) Ltd	Property	50%	Fair value	33	–
Other individually immaterial associates				24	
<b>Total investments in associate undertakings</b>				<b>26,139</b>	<b>602</b>
<b>Joint ventures</b>					
<b>Unlisted</b>					
Old Mutual – CHN Energy Life Insurance Company Ltd. (previously Old Mutual Guodian Life Insurance Company Ltd)	Life assurance	50%	Equity accounted	1,049	(88)
<b>Total investments in joint ventures</b>				<b>1,049</b>	<b>(88)</b>
<b>Total investments in associates and joint ventures</b>				<b>27,188</b>	<b>514</b>

#### (c) Aggregate financial information of material investments in associated undertakings and joint ventures

Following the unbundling of Nedbank Group Limited (Nedbank), the Group retained a strategic interest of 19.9%. A relationship agreement between the Group and Nedbank governs the strategic relationship. The 19.9% investment in Nedbank has been accounted for in terms of the equity accounting method and has been classified as an investment in an associated undertaking. In addition, the Group has a policyholder interest in Nedbank of 1.46% classified as investments and securities at fair value through profit or loss.

During 2019, the Group completed the purchase price allocation for the retained investment in Nedbank, with the excess of the purchase price above net asset value on the date of the deemed acquisition being allocated to goodwill and brand assets.

Both these intangible assets have indefinite useful lives and will not require amortisation.

As Nedbank's share price decreased towards the end of the financial year, this triggered the requirement for an impairment review of the value of our equity accounted investment. This was further supported by the market and economic conditions prevalent within South Africa. The impairment test compares the estimated recoverable amount and carrying value of the investment. The recoverable amount is the higher of its fair value less costs of disposal or its value in use.

In assessing the value in use, the Group valued the expected dividend stream from Nedbank and added a value attributable to certain of the synergies that arise in the Group as a result of the relationship agreement in place. The calculation of the value in use in accordance with IFRS is subject to significant judgement as it is based on economic estimates and macro assumptions. The value of the dividend from Nedbank was determined using a dividend discount model, with the projected dividends based on the average dividend payout ratio over the last five years and a growth rate based on Nedbank's revised medium term guidance. The total value in use was calculated as R24.3 billion. Whilst the value in use is higher than the fair value it is lower than the carrying amount and accordingly, we have recognised a reduction in the carrying value of R1.1 billion. If the terminal growth rate used in the dividend discount model increased by 0.5%, the value in use would increase to R26.6 billion. A decrease in the terminal growth rate of 0.5% would reduce the value in use to R22.4 billion.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## H: Interests in Subsidiaries, Associates and Joint Ventures

### H2 Investments in associated undertakings and joint ventures

#### (c) Aggregate financial information of material investments in associated undertakings and joint ventures

The aggregate financial information for material investments in associated undertakings and joint ventures is as follows:

At 31 December Rm	2019 Nedbank	2018 Nedbank
Value in use market value	21,197	27,348
<b>Statement of comprehensive income</b>		
Revenue	56,164	54,795
Profit from continuing operations	12,810	14,135
Other comprehensive loss	(1,075)	(341)
Total comprehensive income	11,735	13,794
<b>Statement of financial position</b>		
Current assets	368,470	335,706
Non-current assets	774,879	708,206
Current liabilities	(848,312)	(784,618)
Non-current liabilities	(196,588)	(168,023)
Net assets	98,449	91,271

#### (d) Aggregate financial information of other investments in associated undertakings and joint ventures

The aggregate financial information of other immaterial investments in associated undertakings and joint ventures is as follows:

At 31 December Rm	2019	2018
Total assets	19,299	15,360
Total liabilities	(13,983)	(10,149)
Total revenues	1,995	1,270

### H3: Structured entities

#### (a) Group's involvement in structured entities

In structured entities' voting rights are not the predominant factor in deciding who controls the entity but rather the Group's exposure to the variability of returns from these entities. The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of decision-making rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the Group in the fund in the form of interest held and exposure to variable returns.

In most instances, the Group's decision-making authority, in its capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is exercised when decisions regarding the relevant activities of these funds are being made. For funds managed by the Group where the investors have the right to remove the Group as fund manager without cause, the fees earned by the Group, are considered to be market-related. These agreements include only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's length basis. The Group has concluded that it acts as agent on behalf of the investors in all instances.

The Group is considered to be acting as principal where the Group is the fund manager and is able to make the investment decisions on behalf of the unit holders, earn a variable fee, and there are no kick-out rights that would remove the Group as fund manager.

The Group has not provided any non-contractual support to any consolidated or unconsolidated structured entities. The Group has committed to providing certain liquidity facilities for certain securitisation vehicles.

### H3: Structured entities

#### (a) Group's involvement in structured entities

The table below summarises the types of structured entities the Group does not consolidate, but may have an interest in:

Type of structured entity	Nature	Purpose	Interest held by the Group
• Investment funds	• Manage client funds through the investment in assets	• Generate fees from managing assets on behalf of third party investors	• Investments in units issued by the fund
• Security vehicles	• Hold and realise assets as a result of the default of a client	• These entities seek to protect the collateral of the Group on the default of a loan	• At 31 December 2019, the Group held no value in security vehicles
• Clients investment entities	• Hold client investment assets	• Generates various sources of income for the Group	• None
• Black Economic Empowerment (BEE) funding	• Fund the acquisition of shares by a BEE partner	• Generates interest on the funding provided	• Loans to BEE schemes

The Group's holdings in investment vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles. All of the investment vehicles in the investment portfolios are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee, and is reflected in the valuation of the investment vehicles.

#### (b) Interest in unconsolidated structured entities

The Group invests in unconsolidated structured entities as part of its normal investment and trading activities. The Group's total interest in unconsolidated structured entities is classified as investments and securities held at fair value through profit or loss. The Group does not sponsor any of the unconsolidated structured entities. The table below provides a summary of the carrying value of the Group's interest in unconsolidated structured entities for both continuing operations and those classified as held for distribution:

Year ended 31 December Rm	Consolidated	
	2019	2018
Debt securities, preference shares and debentures	638	1,235
Equity securities - unlisted	2,353	2,169
Pooled investments	128,503	106,386
<b>Total</b>	<b>131,494</b>	<b>109,790</b>

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## H: Interests in Subsidiaries, Associates and Joint Ventures

### H3: Structured entities

#### (b) Interest in unconsolidated structured entities

The Group's maximum exposure to loss with regard to the interests presented above is the carrying amount of the Group's investments. Once the Group has disposed of its shares or units in a fund, it ceases to be exposed to any risk from that fund. The Group's holdings in the above unconsolidated structured entities are largely less than 50% and as such the net asset value of these structured entities are likely to be significantly higher than their carrying value.

Pooled investments includes the following investments in unit trusts:

##### Fund 1

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The fund invests in government securities, listed and unlisted debt securities, listed and unlisted equity securities. As at year end the Company's interest in the fund totalled R7,802 million compared to a total fund size of R147,651 million.

##### Fund 2

The Fund aims to achieve the best possible investment growth for retirement savers (within the constraints of Regulation 28 of the Pension Funds Act) over the long term. The fund invests in government securities, listed debt and equity securities. As at year end the Company's interest in the fund totalled R7,237 million compared to a total fund size of R87,152 million.

##### Fund 3

The fund aims to grow retirement fund savings by meaningful, inflation-beating margins over the long term. The fund is managed to comply with the prudential investment limits set for South African retirement funds (Regulation 28 to the Pension Funds Act). The fund invests in government securities and equity securities. As at year end the Company's interest in the fund totalled R3,324 million compared to a total fund size of R27,258 million.

#### (c) Other interests in unconsolidated structured entities

The Group receives management fees and other fees in respect of its asset management businesses that manage investments in which the Group has no holding. These also represent interests in unconsolidated structured entities. As these investments are not held by the Group, the investment risk is borne by the external investors and therefore the Group's maximum exposure to loss relates to future management fees. The Group does not sponsor any of the funds or investment vehicles from which it receives fees.

## I: Other Notes

### II: Post-employment benefits

The Group's post retirement schemes provide for the retirement, medical and disability benefits of employees and have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The assets of these schemes are held in separate trustee administered funds. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with existing assets, are adequate to secure members' benefits over the remaining service lives of participating employees. The schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they operate.

The movement analysis of post-employment benefits presented in note II(a) includes the information for all of the Group's pension schemes, including movements in plan assets and projected benefit obligations classified as held for sale or distribution for the year. At the end of the movement analysis, a single line item will indicate the value of the net plan assets that have been transferred to assets and liabilities held for sale or distribution.

#### Restriction on the ability to access individual pension fund surpluses

The Group has pension fund surpluses whose ability to access the surpluses is regulated by local laws and regulations. In all situations, the Group does not have the unilateral right to access these surpluses as the use of the surplus must be approved by the relevant governing bodies of the pension funds.

#### (a) Liability for defined benefit obligations

Year ended 31 December Rm	Separate and consolidated			
	Pension plans		Other post-retirement benefit schemes <sup>1</sup>	
	2019	2018	2019	2018
<b>Changes in projected benefit obligation</b>				
<b>Projected defined benefit obligation at beginning of the year</b>	<b>219</b>	218	<b>1,388</b>	1,346
Current service cost	<b>44</b>	2	<b>14</b>	20
Interest cost on benefit obligation	<b>21</b>	20	<b>130</b>	121
Measurement gains arising from experience adjustments	<b>(22)</b>	(20)	<b>(109)</b>	(41)
Benefits paid	<b>(38)</b>	(1)	<b>(60)</b>	(58)
Foreign exchange and other movements	<b>2</b>	-	-	-
<b>Projected defined benefit obligation at end of the year</b>	<b>226</b>	219	<b>1,363</b>	1,388
<b>Change in plan assets</b>				
<b>Plan assets at fair value at beginning of the year</b>	<b>219</b>	218	-	-
Actual return on plan assets	<b>(1)</b>	2	-	-
Benefits paid	<b>1</b>	(1)	-	-
Foreign exchange and other movements	<b>7</b>	-	-	-
<b>Plan assets at fair value at end of the year</b>	<b>226</b>	219	-	-
<b>Net assets/(liabilities) of plan</b>	<b>-</b>	-	<b>(1,363)</b>	(1,388)
<b>Net amount recognised in consolidated statement of financial position</b>	<b>-</b>	-	<b>(1,363)</b>	(1,388)

<sup>1</sup> At 31 January 2018 Old Mutual Alternative Risk Transfer (Pty) Ltd replaced MMI as the insurer of the qualifying insurance policy. At this date MMI transferred the rights and obligations of the qualifying insurance policy and related policyholder assets to Old Mutual Alternative Risk Transfer (Pty) Ltd. At 31 December 2018 the Group accounted for the related policyholder assets as investments and securities, while disclosing the post-retirement medical aid obligation as a gross defined benefit obligation on the consolidated statement of financial position.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## I: Other Notes

### II: Post-employment benefits

OMART (Pty) Ltd will reimburse all of the expenditure required to settle the delivered benefit obligation relating to the post-retirement medical aid scheme. OMLACSA has recognised a reimbursement asset in terms of IAS 39 for this reimbursement in its separate financial statements. Fair value adjustments relating to the reimbursement asset are recognised in OCI

#### (b) Principal actuarial assumptions

The significant actuarial assumptions and sensitivities of the defined benefit liabilities to changes in those assumptions are set out below:

	Pension plans		Other post-retirement benefit schemes	
	2019	2018	2019	2018
%				
Discount rate used	9.4%	9.7%	9.3%	9.7%
Price inflation	4.5%	5.7%	4.5%	5.7%
Rate of future salary increases	6.4%	6.7%	6.4%	6.7%
Expected return on plan assets	10.2%	10.3%	9.1%	9.6%

Actuarial assumptions used in calculating the projected benefit obligation are based on mortality estimates in line with that adopted for the 92 series of mortality tables prepared by the Continuous Mortality Investigation Bureau of the Institute of Actuaries.

The effect to the Group's obligation of a 1% increase and 1% decrease in the assumed health cost trend rates would be an increase of R194 million and decrease of R172 million (2018: R209 million and decrease of R171 million) respectively.

#### (c) Plan asset allocation

Plan asset allocation relates to all of the Group's pension schemes is as follows:

	Separate and consolidated	
	2019	2018
%		
Equity securities	54.5	58.1
Debt securities	27.2	24.7
Property	7.2	6.8
Annuities and other	11.1	10.4
	100.0	100.0

#### (d) Expenses recognised in the income statements

Year ended 31 December Rm	Pension plans		Other post-retirement benefit schemes	
	2019	2018	2019	2018
Current service costs	44	2	14	20
Net interest (income)/cost	21	20	130	121
Other post retirement plan costs	4	-	-	-
Total (included in staff costs)	69	22	144	141

## II: Share-based payments

### (a) Share incentive schemes

The Group incentivises employees through a number of cash settled share incentive schemes. These include a short term incentive scheme, Long term incentive scheme and broad-based incentive schemes.

More information on the Group's share incentive schemes is available in the Old Mutual Limited Remuneration Report which will be released on 31 March 2020 and can be accessed on <https://www.oldmutual.com/investor-relations/reporting-centre/reports>

### (b) Measurements and assumptions

The cash-settled share-based payment expenses is measured as the change in the fair value of the cash-settled share-based payment liability during the reporting period.

Forfeitable share awards are entitled to receive dividends during the vesting period and there are no restrictions post the vesting period

### (c) Forfeitable/Restricted share grants

The following summarises the fair value of restricted shares granted by the Group during the year:

Instruments granted and purchased during the year		Separate and consolidated	
		Number granted	Weighted average fair value
Shares in Old Mutual Limited (Johannesburg Stock Exchange)	2019	18,407,067	R21.45
	2018	8,848,022	R27.70
Shares in OM Residual UK Limited (Johannesburg Stock Exchange)	2019	-	-
	2018	7,934,932	R41.34

The share price at measurement date was used to determine the fair value of the restricted shares. Expected dividends were not incorporated into the measurement of fair value where the holder of the restricted share is entitled to dividends throughout the vesting period.

### (d) Annual bonus awards

The South Africa Plan Awards give rise to annual bonus awards. The fair value is determined by making an estimate of the level of bonus to be paid out, following the attainment of personal and company performance conditions. The vesting period for the South African annual bonus plans (other than the new joiner and newly qualified grants) has therefore been determined as 1 January in the year prior to the date of issue of the grant.

The Group anticipates awards under the South African scheme of 14,060,551 restricted shares (2018: 11,582,480). The restricted shares have been valued using a share price of R19.66 (2018: R22.40).

### (e) Financial impact

Year ended 31 December Rm	Separate		Consolidated	
	2019	2018	2019	2018
Expense arising from cash settled share and share option plans	229	524	230	530
Closing balance of liability for cash settled share awards	424	385	424	385

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## I: Other Notes

### 13: Related parties

#### (a) Transactions with key management personnel, remuneration and other compensation

The Company's key management personnel include all members of the Board, (both executive and non executive directors) and prescribed officers as defined by the Companies act. In addition, due to the influence on the planning, direction and control over the activities of the Group, all members of the Executive committee will also be included as key management personnel.

The definition of key management personnel also includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may influence, or be influenced by that person in their dealings with the Group. These may include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

The Directors' Emolument disclosure required by the Companies Act are set out in Note L. Disclosures required in terms of King IV™ will be disclosed in the Old Mutual Limited Remuneration Report which will be released on 31 March 2020 and can be accessed on <https://www.oldmutual.com/investor-relations/reporting-centre/reports>. Compensation paid to the Board of directors is aggregated below, together with the aggregate compensation paid to the Executive committee members (Exco), as well as the number of share options and instruments held.

Year ended 31 December	2019		2018	
	Number of personnel	Rm	Number of personnel	Rm
Directors' fees	11	23	12	24
Remuneration		100		128
Salaries and other benefits	11	66	11	104
Share-based payment expense	11	34	11	24
		123		152

Restricted shares	2019		2018	
	Number of personnel	Number of options/shares '000s	Number of personnel	Number of options/shares '000s
Outstanding at beginning of the year	11	5,691	10	3,070
Leavers	2	(2,858)	-	-
New appointments	2	260	1	533
Granted during the year		3,138		2,487
Lapsed during the year		(393)		(55)
Released during the year		(477)		(344)
Outstanding at end of the year	11	5,361	11	5,691

Transactions with Key management personnel are made on terms equivalent to those that prevail in arm's length transactions.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence at and for the year ended 31 December 2019 were as follows.

Year ended 31 December	2019		2018	
	Number of personnel	Value Rm	Number of personnel	Value Rm
Current accounts	9	1	9	2
Credit cards	3	4	5	-
Mortgages	1	6	3	9
Investments	11	64	16	136
<b>Property &amp; Casualty contracts</b>				
Total premium paid during the year	7	-	10	1
Claims paid during the year	-	-	3	-
<b>Life insurance products</b>				
Total sum assured/value of investment at end of the year	12	86	13	129
<b>Pensions</b>				
Value of pension plans as at end of the year	11	115	13	93

Various members of key management personnel hold or have at various times during the year held, investments managed by asset management businesses of the Group. These include unit trusts, mutual funds and hedge funds. None of the amounts concerned are material in the context of the funds managed by the Group business concerned, and all of the investments have been made by the individuals concerned either on terms which are the same as those available to external customers generally or, where that is not the case, on the same terms as were available to employees of the business generally.

#### (b) Transactions and balances with other related parties

Material subsidiaries of the Group are identified in note H2(a) and the Group's material investments in associated undertakings and joint ventures are identified in note H2.

Transactions between the Group and its related parties, other than key management personnel are disclosed below. All these transactions were entered into in the normal course of business.

Rm	2019	2018
<b>Outstanding balances with associated undertakings</b>		
Bonds, derivatives and other financial instruments due from Nedbank	2,031	(604)
Loan due to Nedbank	(622)	(457)
Deposits owing from Nedbank to Group subsidiaries	16,897	7,310
Balances owing from Nedbank to Group subsidiaries	7,810	10,932
<b>Transactions with associated undertakings</b>		
Dividend received from Nedbank <sup>1</sup>	1,433	-
Interest income from Nedbank to Group subsidiaries	(486)	(76)
Interest expense to Nedbank from Group subsidiaries	2,031	1,162
Insurance premiums received from Nedbank	157	154
Claims paid to Nedbank	(73)	(88)
Commission expense paid to Nedbank by Group subsidiaries	(28)	(27)
Management fee expense paid to Nedbank	(107)	(116)
Management fee income from Nedbank	7	19

<sup>1</sup> Represents dividends received on the Group's Beneficial ownership in Nedbank.



# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## I: Other Notes

### 13: Related parties

#### (c) Changes in the status of certain directors

##### Thoko Mokgosi-Mwantembe

On 3 April 2019, the Group announced that the Board of Old Mutual Limited had considered an arms-length transaction by Ms. Mokgosi-Mwantembe in her personal capacity. Given the nature of the transaction the Group resolved that Ms Mokgosi-Mwantembe was no longer classified as an independent director on the Old Mutual Limited Board. This was effective from 3 April 2019 and her status has been reflected as a non-executive director since that date.

##### Peter Moyo

On 24 May 2019 the Board of Old Mutual Limited announced that it had made a decision to suspend the Chief Executive Officer, Peter Moyo and he was not appointed as a director of Old Mutual Limited at the Annual General Meeting held on that date. Subsequent to this, on 17 June 2019, the Board announced that it had given notice to Mr. Moyo to terminate his employment contract on notice. Although Mr. Moyo is currently challenging the termination of his employment contract in court proceedings, he is not required to perform any duties during his notice period.

##### Iain Williamson

Following the suspension of Peter Moyo, the Board of Old Mutual Limited announced that it had appointed Iain Williamson as the Interim Chief Executive Officer of Old Mutual Limited, effective 24 May 2019. Mr. Williamson was also appointed as executive director of Old Mutual Limited on 27 May 2019 and will remain in this position until such time as a suitable successor is announced.

#### (d) Investments in the NMT group of companies

Peter Moyo, previously a non-executive director of OMLACSA, is also a non-executive director of NMT Capital Proprietary Limited (NMT Capital) and NMT Group Proprietary Limited (NMT Group), and holds an equity interest in both companies. OMLACSA has provided equity and preference share funding to both NMT Capital and NMT Group as well as related entities. RZT Zelpy 4971 Proprietary Limited, RZT Zelpy 4973 Proprietary Limited and STS Capital Proprietary Limited are ordinary shareholders and related parties of NMT Capital. Amabubesi Capital Travelling Proprietary Limited is a subsidiary of NMT Group.

During July 2019 and August 2019, NMT Capital repaid R47 million and R4 million respectively reflecting the full repayment of the outstanding preference share holding in NMT Capital as well as arrear preference share dividends.

During January 2020, NMT Capital bought back the Company's ordinary shareholding of R14 million. In addition, the Group has received R20 million as full settlement of the preference shareholding in RZT Zelpy 4971, RZT Zelpy 4973 and STS Capital. The investments in the NMT companies have been valued based on a directors valuation. The negotiations to exit the remaining investments are in early stages and the timing and mechanism of the realisation is yet to be determined. The valuation of this investment will continue to be monitored as negotiations progress.

Year ended 31 December Rm	2019	2018
<b>Investments held</b>		
Ordinary shareholding – NMT Capital	14	14
Preference shareholding – NMT Capital	–	48
Preference shareholding – NMT Group	190	190
Preference shareholding – RZT Zelpy 4971	7	6
Preference shareholding – RZT Zelpy 4973	6	6
Preference shareholding – STS Capital	7	6
Preference shareholding – Amabubesi Capital Travelling	14	21
<b>Transactions</b>		
Ordinary dividend accrued – NMT Capital	2	23
Preference dividend accrued – NMT Capital	6	9
Preference dividend accrued – NMT Group	10	15

#### (e) Investments in the Kutana group of companies

Thoko Mokgosi-Mwantembe, a non-executive director of the Company, is also the Chief Executive Officer and sole equity holder of Kutana Capital (Pty) Ltd (Kutana).

During the period, Old Mutual Specialised Finance provided preference share funding to Luxanio 220 (RF) (Pty) Ltd, a wholly owned subsidiary of Kutana. In light of this investment, we also reviewed where Kutana had significant influence in the wider structure and provided additional information in respect of these relationships.

The Group, through various of its operating subsidiaries has provided debt funding as part of a consortium of lenders, to In2Food Group (Pty) Ltd through an entity called Middle Road Packers (Middle Road), an entity in which Kutana has an effective ownership of 35%.

The Group indirectly holds a 31% minority stake in Middle Road alongside Kutana's 35% interest, which was acquired by the Old Mutual Private Equity Fund IV (Fund IV) prior to Thoko Mokgosi-Mwantembe having been appointed as a non-executive director of the Company and OMLACSA. Fund IV is a limited liability partnership and the Group holds c.88% of the interest in Fund IV. In line with the nature of this structure, the Group has no influence over the investment decisions of this fund. These structures within the Group ensure that the independence of our asset management businesses is maintained. The underlying assets and liabilities of Fund IV have been consolidated into the Group's results and financial position as if it were a subsidiary in compliance with IFRS 10.

The transactions concluded with the Kutana Group of companies and fellow subsidiaries arose in the ordinary course of business and were conducted on the same commercial terms, including interest rates and security, as comparable transactions with third party counterparties. The transactions did not involve more than the normal risk of repayment, nor do they present any other unfavourable features to the Group.

Year ended 31 December Rm	2019	2018
<b>Debt instruments held</b>		
Preference shareholding – Luxanio 220 (RF) (Pty) Ltd	226	–
Mezzanine debt – In2Food Group (Pty) Ltd	37	43
Term loan A – In2Food Group (Pty) Ltd	84	94
Term loan B – In2Food Group (Pty) Ltd	120	139
<b>Income earned</b>		
Preference dividends accrued - Luxanio 220 (RF) (Pty) Ltd	25	–
Mezzanine debt interest accrued - In2Food Group (Pty) Ltd	1	1
Term loan A interest accrued - In2Food Group (Pty) Ltd	1	1
Term loan B interest accrued - In2Food Group (Pty) Ltd	1	1

### 14: Contingent liabilities

The Group has provided certain guarantees for specific client obligations, in return for which the Group has received a fee. The Group has evaluated the extent of the possibility of the guarantees being called on and has provided appropriately.

#### Contingent liabilities – legal proceedings

The Group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the Group is involved in disputes and legal proceedings that arise in the ordinary course of business. Legal expenses incurred in respect of these disputes and legal proceedings are expensed as incurred. Claims, if any, cannot be reasonably estimated at this time but the Group does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on the financial position of the Group.

During the period the Group managed two ongoing litigation matters in which the Chairman of Old Mutual Limited is named. These matters had both reputational and strategic execution consequences specific to the Group and whilst the Chairman is named in these matters, the decision to incur these costs was made in the interests of the Group. Legal fees paid in respect of these matters for the year ended 31 December 2019 were approximately R930,000 (December 2018: R920,000).

The Group is currently pursuing litigation in relation to the decision made to terminate Peter Moyo. The Group does not expect the ultimate resolution of these proceedings to have a significant adverse effect on the financial position of the Group.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## I: Other Notes

### 14: Contingent liabilities

#### Tax

The Revenue authorities in the principal jurisdictions in which the Group operates routinely review historic transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which they operate. All interpretations made by management are made with reference to the specific facts and circumstances of the transaction and the relevant legislation.

There are occasions where the Group's interpretation of tax law may be challenged by the Revenue authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Board is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources required to fund such potential settlements are sufficient.

Due to the level of estimation required in determining tax provisions amounts eventually payable may differ from the provision recognised.

#### Consumer protection

The Group is committed to treating customers fairly and supporting its customers in meeting their lifetime goals is central to how our businesses operate. We routinely engage with customers and regulators to ensure that we meet this commitment, but there is the risk of regulatory intervention across various jurisdictions, giving rise to the potential for customer redress which can result in retrospective changes to policyholder benefits, penalties or fines. The Group monitors the exposure to these actions and makes provision for the related costs as appropriate.

#### Old Mutual Finance relationship agreements

The Relationship Agreement between the Old Mutual Life Assurance Company (South Africa) Limited and Old Mutual Finance contains provisions regarding the seat cost model in respect of insurance sales and servicing conducted in the Old Mutual Finance branch network. There is a disagreement as to the accuracy of charges to the Group for the current and prior reporting periods. This matter will be resolved through arbitration with a revised seat cost model being agreed for future reporting periods.

### 15: Commitments

The Group's management is confident that future net revenues and existing funding arrangements will be sufficient to cover these commitments.

The Group entered into several contracts with an estimated value of R206 million (2018: 2,010 million) relating to external technology service providers to procure various services and IT Software products and solutions.

Commitments relating to investment properties have been made totalling R620 million (2018: R101 million) for the Group.

The Group entered into agreements where it has committed to provide capital to funds and partnerships that it has invested in. The total undrawn commitment is R8,300 million (2018: R8,788 million) at 31 December 2018.

The Group encumbered its investment in N3 Toll Concession (N3TC) in favour of a Group of funders (including commercial banks and financial institutions) as security for financing to the value of R126 million (2018: R126 million).

Old Mutual Guernsey, a branch of the Group, reserved USD 361 million of policyholder assets in a trust; currently the trustees are Credit Suisse. This is a requirement by the Guernsey regulator.

The Group has evaluated the extent of the possibility of the guarantees being called on and has provided appropriately.

#### Commitments under derivative instruments

The Group enters into option contracts, financial features contracts, forward rate and interest rate swap agreements, and other financial agreements in the normal course of business.

The Group has options to acquire further stakes in businesses dependent on various circumstances which are regarded by the Group as collectively and individually immaterial.

### 16: Assets held for sale

At 31 December 2019, Old Mutual Real Estate Holding Company classified investment properties with a total carrying value of R516 million as assets held for sale. The disposal of these investment properties are expected to complete within the next 12 months. These assets form part of the policyholder assets and therefore will have no impact on the profit or loss of the Group.

### 17: Events after the reporting date

#### NMT

During January 2020, NMT Capital bought back the Company's ordinary shareholding of R14 million. In addition, the Group has received R20 million as full settlement of the preference shareholding in RZT Zelyp 4971, RZT Zelyp 4973 and STS Capital. Refer to note 13(b) for more information.

#### COVID-19

On 11 March 2020, COVID-19 was declared as a pandemic due to the rising rate and scale of infection observed. The rapid spread of this virus has caused significant disruption in global equity markets.

We model the impact of 'perfect storm' scenarios on our solvency capital and liquidity levels. These stress tests have shown we remain sufficiently capitalised with appropriate liquidity levels through these scenarios.

## J: Standards, Amendments to Standards and Interpretations Adopted in the 2019 Separate and Consolidated Financial Statements

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the Group and Company consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2018 described below. The Group and Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

#### Implementation of IFRS 16 'Leases' (IFRS 16)

On 1 January 2019, the Group and Company adopted IFRS 16 'Leases' retrospectively, using the modified retrospective approach. The cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at that date. At 1 January 2019, the carrying values of the right-of-use assets were set to equal the lease liabilities as permitted by the standard. Comparatives have not been restated.

IFRS 16 introduced a single on balance sheet accounting model for leases and eliminates the distinction between operating and finance leases. Lessees recognise a right-of-use asset and lease liability based on the discounted payments required under the lease. The Group and Company discounted lease payments using its weighted average incremental borrowing rate at 1 January 2019, of 9%.

As a result, the Group and Company as lessee recognised right-of-use assets of R522 million and R499 million, with corresponding lease liabilities of R522 million and R499 million, with the right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

During the year ended 31 December 2019, Group and Company recognised depreciation on right-of-use assets of R174 and R168 million and interest costs of R42 and R41 million on lease liabilities have been recognised in profit or loss.

#### Exemptions and practical expedients

The Group applied the following exemptions and practical expedients:

- The Group applied the standard to contracts that were already classified as leases at 31 December 2018.
- At 1 January 2019 the carrying values of the right-of-use assets were set to equal the lease liabilities and were increased or decreased with the operating lease prepayment assets or operating lease accruals at 31 December 2018.
- The Group applied a single discount rate to portfolios of leases with reasonably similar characteristics.
- The Group did not recognise a right-of-use asset or lease liability for leases which have a lease term of 12 months or less from 1 January 2019. These operating lease payments will be expensed on a straight line basis over the lease term.
- The Group did not recognise a right-of-use asset or lease liability for low value leases. These operating lease payments will be expensed on a straight line basis over the lease term.
- For renewal options the Group used hindsight to determine the lease term at 1 January 2019.
- The Group did not include any initial direct costs in the carrying values of the right-to-use assets at 1 January 2019.
- The Group has relied on IAS 37 assessment of whether leases are onerous

## Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

### J: Standards, Amendments to Standards and Interpretations Adopted in the 2019 Separate and Consolidated Financial Statements

The Group calculated the lease liabilities and right-of-use assets at 1 January 2019 as follows:

Rm	Separate	Consolidated
	1 January 2019	1 January 2019
<b>Operating Lease Commitments at 31 December 2018</b>	<b>401</b>	<b>412</b>
Within one year	88	94
In the second to fifth years inclusive	297	302
After five years	16	16
<b>Present Value of Operating Leases at 31 December 2018</b>	<b>375</b>	<b>400</b>
<b>Adjusted for:</b>		
Short term leases	(21)	(23)
Leases of low value assets	–	–
Renewal and termination options reasonably certain to be exercised	145	145
<b>Lease liabilities (previous operating leases)</b>	<b>499</b>	<b>522</b>
Finance lease liabilities	–	–
<b>Total lease liabilities (undiscounted)</b>	<b>499</b>	<b>522</b>
Accrued operating lease expenses at 31 December 2018		
<b>Total right-of-use assets</b>	<b>499</b>	<b>522</b>
<b>Represented by:</b>		
Right-of-use assets – Property, plant and equipment	499	522
<b>Total right-of-use Assets</b>	<b>499</b>	<b>522</b>

#### IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. This interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively only if possible without the use of hindsight.

### K: Future standards, amendments to standards and interpretations not early-adopted in the 2019 Separate and Consolidated Financial Statements

Certain new accounting standards and interpretations, have been published that are not mandatory for 2019 reporting periods and have not been early adopted by the Group.

#### IFRS 17 Insurance Contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021 (however the IASB has made a tentative decision to defer the effective date by one year, subject to due process). The IASB issued IFRS 17 'Insurance Contracts' in May 2017 as a replacement for IFRS 4 'Insurance Contracts'. The Group will apply the new standard from the effective date. The new rules will affect the financial statements and key performance indicators of all entities in the Group that issue insurance contracts (such as term and life insurance, life annuities, disability insurance, and property & casualty insurance) or investment contracts with discretionary participation features (such as with-profit annuities and investments). The most significant impacted subsidiary will be the Old Mutual Life Assurance Company (South Africa) Limited, however all other Group entities with life and short-term insurance licences will also be impacted.

The Group has instituted an implementation programme under the sponsorship of the Chief Financial Officer, who chairs a steering committee consisting of senior finance, actuarial and information technology executives from impacted business areas. Each major IFRS 17 focus area is also governed by a delivery committee, which consists of senior finance and actuarial managers who make decisions on scope, design and enablement for their relevant focus areas. IFRS 17 Projects were also mobilised in segments and countries during 2019, each with their own governance and decision-making forums. All decisions relating to the interpretation of the standard (i.e. policies and methodologies) are made by a Technical Review Committee (TRC), which consists of actuarial and finance subject matter experts across Group and the Segments. Ratification of major decisions is done by the steering committee. programme resources include a mix of dedicated and shared internal technical experts, as well as external consultants where appropriate.

During 2017 and 2018, the Group completed the initial impact assessments, including several pilot projects on selected products aimed at assessing the financial impacts of the standard. Significant progress has been made on the development of accounting and actuarial policies and methodologies, with formal sign off from the TRC on each version of a paper, as well as outcomes of investigations. This also includes a comprehensive product classification model, which includes the Group product scope and IFRS 17 classification and measurement approach per product. The transition approach and process was finalised in 2018 and indicative transition calculations on 2018 balances for the most significant products were completed in 2019. Calculations on the 2019 balances will commence early in 2020. Actuarial modelling development, which is the most significant enablement requirement on the programme in addition to transition and data sourcing and system changes, commenced in 2018 and is currently largely on track against the plan. A robust financial data model, CSM calculation engine and results repository prototype were also developed in 2019 to demonstrate the new systems capability that is required within Old Mutual Limited.

The Group, OMLACSA Project is now in the process of initiating the finance and actuarial system and process build. The new capability leverages the existing financial reporting landscape and provides a sustainable, long term IFRS 17 solution. The Rest of Africa Project progressed well in 2019 and is in the process of finalising detailed business requirements. Solution design and data sourcing enablement will commence early in 2020.

#### Amendments to IFRS 3 'Business Combinations – Definition of a Business'

The amendments must be applied to transactions with effective dates that are on or after 1 January 2020. The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The amendment states that a business can exist without including all of the inputs and processes needed to create outputs. The inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'. The Group is not required to review transactions completed in prior periods.

# Notes to the separate and consolidated financial statements

For the year ended 31 December 2019

## L: Directors' and Prescribe Officers' emoluments

The Directors' Emoluments disclosures required by the Companies' Act are set out below and includes disclosure in relation to Executive Directors and Prescribed Officers. Disclosures required in terms of King IV™ will be disclosed in the Old Mutual Limited Remuneration Report which will be released on 31 March 2020 and can be accessed on <https://www.oldmutual.com/investor-relations/reporting-centre/report>

Executive directors	Iain Williamson		Casper Troskie	
	2019	2018	2019	2018
Salary <sup>1</sup>	5,749,760	4,256,650	4,559,625	3,322,670
Other Benefits	90,865	85,850	–	–
Retirement Benefits	165,375	157,500	165,375	120,511
<b>TGP</b>	<b>6,006,000</b>	<b>4,500,000</b>	<b>4,725,000</b>	<b>3,443,181</b>
Bonus – MSIP	–	4,834,050	–	–
Other Bonus <sup>2</sup>	3,150,000	3,041,260	4,060,000	8,222,606
<b>Total excluding share-based payments</b>	<b>9,156,000</b>	<b>12,375,310</b>	<b>8,785,000</b>	<b>11,665,787</b>
IFRS 2 fair value of unvested shares at year end owed to director	7,354,073	7,612,637	5,758,816	693,763
IFRS 2 charge on Nedbank/Quilter	–	8,486,823	–	–
Number of shares vested <sup>4</sup>	333,105	246,089	–	–
Class of share	Ordinary	Ordinary	–	–

Prescribed officers	Clarence Nethengwe		Clement Chinaka		Prabashini Moodley	
	2019	2018	2019	2018	2019	2018
Salary <sup>1</sup>	4,051,320	3,472,320	3,892,163	3,377,500	611,166	–
Other benefits	1,680	1,680	–	–	–	–
Retirement benefits	147,000	126,000	141,167	122,500	22,166	–
<b>TGP</b>	<b>4,200,000</b>	<b>3,600,000</b>	<b>4,033,330</b>	<b>3,500,000</b>	<b>633,332</b>	<b>–</b>
Bonus – MSIP	–	1,529,750	–	1,589,280	–	–
Other Bonus <sup>2</sup>	1,740,000	4,205,793	2,160,000	4,045,978	1,305,000	–
<b>Total excluding share-based payments</b>	<b>5,940,000</b>	<b>9,335,543</b>	<b>6,193,330</b>	<b>9,135,258</b>	<b>1,938,332</b>	<b>–</b>
IFRS 2 fair value of unvested shares at year end owed to director	4,751,379	3,190,077	5,249,589	4,146,492	1,933,898	–
IFRS 2 charge on Nedbank/Quilter	–	4,599,517	–	5,302,607	–	–
Number of shares vested	122,203	135,140	133,440	167,207	28,711	–
Class of share	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary	–

Prescribed officers	Heloise Van Der Mescht		Karabo Morule	
	2019	2018	2019	2018
Salary <sup>1</sup>	2,217,941	–	3,922,090	3,645,683
Other benefits	–	–	130,910	21,317
Retirement benefits	70,674	–	147,000	133,000
<b>TGP</b>	<b>2,288,615</b>	<b>–</b>	<b>4,200,000</b>	<b>3,800,000</b>
Bonus – MSIP	–	–	–	3,006,300
Other Bonus	2,175,000	–	–	2,650,548
<b>Total excluding share-based payments</b>	<b>4,463,615</b>	<b>–</b>	<b>4,200,000</b>	<b>9,456,848</b>
IFRS 2 fair value of unvested shares at year end owed to director	2,290,986	–	4,922,519	4,696,376
IFRS 2 charge on Nedbank/Quilter	–	–	–	5,577,618
Number of shares vested <sup>4</sup>	34,975	–	215,748	172,321
Class of share	Ordinary	–	Ordinary	Ordinary

Exiting executive director	Peter Moyo	
	2019	2018
Salary <sup>1</sup>	7,938,000	7,720,000
Other benefits	–	–
Retirement benefits	147,000	280,000
<b>TGP</b>	<b>8,085,000</b>	<b>8,000,000</b>
Bonus - MSIP	–	6,768,750
Other Bonus	–	7,145,732
Other <sup>3</sup>	1,074,104	209,745
Termination payment	–	–
<b>Total excluding share-based payments</b>	<b>9,159,104</b>	<b>22,124,227</b>
IFRS 2 fair value of unvested shares at year end owed to director	–	11,747,536
IFRS 2 charge on Nedbank/Quilter	–	22,747,713
Number of shares vested <sup>4</sup>	–	523,294
Class of share	–	Ordinary

1. The salary for Iain Williamson includes an annualised acting allowance of R2,196,000 and for Heloise van der Mescht of R1,320,000 paid monthly. The salaries for Prabashini Moodley and Heloise van Mescht are shown from the date that they became prescribed officers. The salary for Peter Moyo includes Notice period pay of R4,200,000.

2. The other bonus includes the cash portion of the performance bonus linked to performance in the 2019 financial year. Other bonus for Casper Troskie includes R1,600,000 representing the second tranche of a sign on bonus.

3. Other includes pay in lieu of leave for Peter Moyo of R969,231.

4. Prior year number of shares vested includes Quilter and Nedbank distributions where applicable.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## L: Directors' and Prescribe Officers' emoluments

### Bonus share awards

	Award Date	Vesting Date	Issue Price (ZAR)	2018 20 Day Year End VWAP (ZAR)	2019 20 Day Year End VWAP (ZAR)	Share Units				Value (Pre-Tax)			
						Opening Balance on 1 Jan 2019 (Number)	Granted during 2019 (Number)	Lapsed during 2019 (Number)	Settled during 2019 (Number)	Closing Balance on 31 Dec 2019 (Number)	Value of Lapsed Awards During 2019 (ZAR)	Value of Settled Awards During 2019 (ZAR)	Estimated closing fair value on 31 Dec 2019 (ZAR)
<b>Iain Williamson</b>													
<b>Long-Term Incentive Plan</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	78,161	-	38,924	39,237	-	831,806	838,495	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	142,858	-	-	-	142,858	-	-	1,049,933
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	108,854	-	-	-	108,854	-	-	1,259,876
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	72,414	-	-	72,414	-	-	838,120
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	72,414	-	-	72,414	-	-	838,120
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	72,414	-	-	72,414	-	-	838,120
<b>Deferred Short-Term Incentive</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	70,103	-	-	70,103	-	-	1,498,101	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	53,884	-	-	-	53,884	-	-	1,039,422
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	46,558	-	-	-	46,558	-	-	898,104
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	93,219	30,552	-	62,667	664,506	-	1,208,846
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	14 Dec 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
<b>Managed Separation Incentive Plan</b>													
2018	18 Sep 18	18 Sep 19	29,80	22,34	19,29	162,217	-	-	162,217	-	-	3,257,317	-
2018 Special Award	14 Dec 18	18 Sep 19	22,00	22,34	19,29	61,548	-	-	61,548	-	-	1,235,884	-
<b>Total</b>						<b>724,647</b>	<b>310,461</b>	<b>69,476</b>	<b>333,105</b>	<b>632,527</b>	<b>1,496,312</b>	<b>6,829,797</b>	<b>7,979,491</b>
<b>Casper Troskie</b>													
<b>Long-Term Incentive Plan</b>													
2018 Tranche 1	18 Sep 18	18 Sep 21	29,80	22,34	19,29	100,671	-	-	-	100,671	-	-	1,165,166
2018 Tranche 2	18 Sep 18	18 Sep 22	29,80	22,34	19,29	100,671	-	-	-	100,671	-	-	1,165,166
2018 Tranche 3	18 Sep 18	18 Sep 23	29,80	22,34	19,29	100,672	-	-	-	100,672	-	-	1,165,178
2018 Special Grant Tranche 1	14 Dec 18	18 Sep 21	22,00	22,34	19,29	38,196	-	-	-	38,196	-	-	442,081
2018 Special Grant Tranche 2	14 Dec 18	18 Sep 22	22,00	22,34	19,29	38,196	-	-	-	38,196	-	-	442,081
2018 Special Grant Tranche 3	14 Dec 18	18 Sep 23	22,00	22,34	19,29	38,197	-	-	-	38,197	-	-	442,092
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	79,655	-	-	79,655	-	-	921,927
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	79,655	-	-	79,655	-	-	921,927
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	79,656	-	-	79,656	-	-	921,939
<b>Deferred Short-Term Incentive</b>													
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	119,371	39,124	-	80,247	850,947	-	1,547,965
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	14 Dec 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
<b>Buy-out Award</b>													
2018	18 Sep 18	18 Sep 21	29,80	22,34	19,29	83,893	-	-	-	83,893	-	-	1,618,296
2018 Special Grant	14 Dec 18	18 Sep 21	22,00	22,34	19,29	31,831	-	-	-	31,831	-	-	614,020
<b>Total</b>						<b>532,791</b>	<b>358,337</b>	<b>39,124</b>	<b>-</b>	<b>852,004</b>	<b>850,947</b>	<b>-</b>	<b>11,376,788</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## L: Directors' and Prescribe Officers' emoluments

### Bonus share awards

Award Date	Vesting Date	Issue Price (ZAR)	2018 20 Day Year End VWAP (ZAR)	2019 20 Day Year End VWAP (ZAR)	Share Units				Value (Pre-Tax)				
					Opening Balance on 1 Jan 2019 (Number)	Granted during 2019 (Number)	Lapsed during 2019 (Number)	Settled during 2019 (Number)	Closing Balance on 31 Dec 2019 (Number)	Value of Lapsed Awards During 2019 (ZAR)	Value of Settled Awards During 2019 (ZAR)	Estimated closing fair value on 31 Dec 2019 (ZAR)	
<b>Clarence Nethengwe</b>													
<b>Long-Term Incentive Plan</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	15,515	-	7,726	7,789	-	165,105	166,451	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	18,884	-	-	-	18,884	-	-	138,788
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	95,792	-	-	-	95,792	-	-	1,108,697
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	70,805	-	-	70,805	-	-	819,497
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	70,805	-	-	70,805	-	-	819,497
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	70,804	-	-	70,804	-	-	819,485
<b>Deferred Short-Term Incentive</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	20,329	-	-	20,329	-	-	434,431	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	15,715	-	-	-	15,715	-	-	303,142
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	35,757	-	-	-	35,757	-	-	689,753
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	128,914	42,251	-	86,663	918,959	-	1,671,729
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	18 Sep 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
<b>Managed Separation Incentive Plan</b>													
2018	18 Sep 18	18 Sep 19	29,80	22,34	19,29	51,334	-	-	51,334	-	-	1,030,787	-
2018 Special Award	14 Dec 18	18 Sep 19	22,00	22,34	19,29	19,477	-	-	19,477	-	-	391,098	-
<b>Discretionary Share Award</b>													
2015 Tranche 2	9 Sep 15	9 Sep 19	40,03	22,34	19,29	23,274	-	-	23,274	-	-	432,198	-
2015 Tranche 3	9 Sep 15	9 Sep 20	40,03	22,34	19,29	23,274	-	-	-	23,274	-	-	448,955
<b>Total</b>						<b>319,815</b>	<b>341,328</b>	<b>49,977</b>	<b>122,203</b>	<b>488,963</b>	<b>1,084,064</b>	<b>2,454,965</b>	<b>6,828,493</b>
<b>Clement Chinaka</b>													
<b>Long-Term Incentive Plan</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	50,257	-	25,028	25,229	-	534,848	539,144	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	61,916	-	-	-	61,916	-	-	455,051
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	93,131	-	-	-	93,131	-	-	1,077,898
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	67,433	-	-	67,433	-	-	780,470
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	67,433	-	-	67,433	-	-	780,470
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	67,433	-	-	67,433	-	-	780,470
<b>Deferred Short-Term Incentive</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	34,644	-	-	34,644	-	-	740,342	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	28,395	-	-	-	28,395	-	-	547,740
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	39,068	-	-	-	39,068	-	-	753,622
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	124,015	40,646	-	83,369	884,051	-	1,608,188
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	18 Sep 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
<b>Managed Separation Incentive Plan</b>													
2018	18 Sep 18	18 Sep 19	29,80	22,34	19,29	53,332	-	-	53,332	-	-	1,070,907	-
2018 Special Award	14 Dec 18	18 Sep 19	22,00	22,34	19,29	20,235	-	-	20,235	-	-	406,319	-
<b>Total</b>						<b>381,442</b>	<b>326,314</b>	<b>65,674</b>	<b>133,440</b>	<b>508,642</b>	<b>1,418,899</b>	<b>2,756,712</b>	<b>6,792,859</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## L: Directors' and Prescribe Officers' emoluments

### Bonus share awards

Award Date	Vesting Date	Issue Price (ZAR)	2018 20 Day Year End VWAP (ZAR)	2019 20 Day Year End VWAP (ZAR)	Share Units				Value (Pre-Tax)				
					Opening Balance on 1 Jan 2019 (Number)	Granted during 2019 (Number)	Lapsed during 2019 (Number)	Settled during 2019 (Number)	Closing Balance on 31 Dec 2019 (Number)	Value of Lapsed Awards During 2019 (ZAR)	Value of Settled Awards During 2019 (ZAR)	Estimated closing fair value on 31 Dec 2019 (ZAR)	
<b>Prabashini Moodley</b>													
<b>Long-Term Incentive Plan</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	17,510	-	8,720	8,790	-	186,346	187,842	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	21,213	-	-	-	21,213	-	-	155,905
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	21,287	-	-	-	21,287	-	-	246,376
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	16,092	-	-	16,092	-	-	186,249
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	16,092	-	-	16,092	-	-	186,249
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	16,092	-	-	16,092	-	-	186,249
<b>Deferred Short-Term Incentive</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	19,921	-	-	19,921	-	-	425,712	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	17,652	-	-	-	17,652	-	-	340,507
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	16,269	-	-	-	16,269	-	-	313,829
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	45,191	-	-	45,191	-	-	871,734
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	14 Dec 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
<b>Total</b>						<b>114,316</b>	<b>93,467</b>	<b>8,720</b>	<b>28,711</b>	<b>170,352</b>	<b>186,346</b>	<b>613,554</b>	<b>2,496,048</b>
<b>Heloise Van Der Mescht</b>													
<b>Long-Term Incentive Plan</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	25,180	-	12,540	12,640	-	267,980	270,117	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	30,360	-	-	-	30,360	-	-	223,131
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	26,989	-	-	-	26,989	-	-	312,371
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	17,954	-	-	17,954	-	-	207,800
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	17,954	-	-	17,954	-	-	207,800
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	17,955	-	-	17,955	-	-	207,811
<b>Deferred Short-Term Incentive</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	22,335	-	-	22,335	-	-	477,299	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	23,377	-	-	-	23,377	-	-	450,942
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	16,848	-	-	-	16,848	-	-	324,998
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	43,085	-	-	43,085	-	-	831,110
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	14 Dec 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
<b>Total</b>						<b>145,553</b>	<b>96,948</b>	<b>12,540</b>	<b>34,975</b>	<b>194,986</b>	<b>267,980</b>	<b>747,416</b>	<b>2,774,913</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## L: Directors' and Prescribe Officers' emoluments

### Bonus share awards

Award Date	Vesting Date	Issue Price (ZAR)	2018 20 Day Year End VWAP (ZAR)	2019 20 Day Year End VWAP (ZAR)	Share Units				Value (Pre-Tax)				
					Opening Balance on 1 Jan 2019 (Number)	Granted during 2019 (Number)	Lapsed during 2019 (Number)	Settled during 2019 (Number)	Closing Balance on 31 Dec 2019 (Number)	Value of Lapsed Awards During 2019 (ZAR)	Value of Settled Awards During 2019 (ZAR)	Estimated closing fair value on 31 Dec 2019 (ZAR)	
<b>Karabo Morule</b>													
<b>Long-Term Incentive Plan</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	49,500	-	24,651	24,849	-	526,792	531,023	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	59,966	-	-	-	59,966	-	-	440,720
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	101,113	-	-	-	101,113	-	-	1,170,282
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	70,805	-	-	70,805	-	-	819,497
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	70,805	-	-	70,805	-	-	819,497
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	70,804	-	-	70,804	-	-	819,485
<b>Deferred Short-Term Incentive</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	26,739	-	-	26,739	-	-	571,412	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	21,817	-	-	-	21,817	-	-	420,850
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	37,580	-	-	-	37,580	-	-	724,918
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	81,243	26,627	-	54,616	579,137	-	1,053,543
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	18 Sep 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
<b>Managed Separation Incentive Plan</b>													
2018	18 Sep 18	18 Sep 19	29,80	22,34	19,29	100,883	-	-	100,883	-	-	2,025,731	-
2018 Special Award	14 Dec 18	18 Sep 19	22,00	22,34	19,29	38,277	-	-	38,277	-	-	768,602	-
<b>Discretionary Share Award</b>													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	25,000	-	-	25,000	-	-	534,250	-
<b>Total</b>						<b>461,339</b>	<b>293,657</b>	<b>51,278</b>	<b>215,748</b>	<b>487,970</b>	<b>1,105,929</b>	<b>4,431,018</b>	<b>6,277,742</b>
<b>Peter Moyo</b>													
<b>Long-Term Incentive Plan</b>													
2017	6 Sep 17	6 Sep 20	34,50	22,34	19,29	543,479	-	543,479	-	-	11,750,016	-	-
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	290,276	-	290,276	-	-	6,275,767	-	-
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	193,104	193,104	-	-	4,174,908	-	-
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	193,104	193,104	-	-	4,174,908	-	-
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	193,103	193,103	-	-	4,174,887	-	-
<b>Deferred Short-Term Incentive</b>													
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	54,690	-	54,690	-	-	1,182,398	-	-
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	219,027	219,027	-	-	4,735,364	-	-
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	336	-	-	7,264	-	-
2018 Special Award	14 Dec 18	18 Sep 20	22,00	22,34	19,29	128	-	128	-	-	2,767	-	-
<b>Managed Separation Incentive Plan</b>													
2018	18 Sep 18	18 Sep 19	29,80	22,34	19,29	227,140	-	227,140	-	-	4,910,767	-	-
2018 Special Award	14 Dec 18	18 Sep 19	22,00	22,34	19,29	86,180	-	86,180	-	-	1,863,212	-	-
<b>Buy-out Award</b>													
2017 Tranche 1	6 Sep 17	6 Sep 20	34,50	22,34	19,29	181,160	-	181,160	-	-	3,916,679	-	-
2017 Tranche 2	6 Sep 17	6 Sep 21	34,50	22,34	19,29	181,160	-	181,160	-	-	3,916,679	-	-
2017 Tranche 3	6 Sep 17	6 Sep 22	34,50	22,34	19,29	181,159	-	181,159	-	-	3,916,658	-	-
<b>Total</b>						<b>1,745,708</b>	<b>798,338</b>	<b>2,544,046</b>	<b>-</b>	<b>-</b>	<b>55,002,274</b>	<b>-</b>	<b>-</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## L: Directors' and Prescribe Officers' emoluments

### Bonus share awards

2018						2018							
						Share Units				Value (Pre-Tax)			
Award Date	Vesting Date	Issue Price (ZAR)	2017 20 Day Year End VWAP (ZAR)	2018 20 Day Year End VWAP (ZAR)	Opening Balance on 1 Jan 2018 (Number)	Granted during 2018 (Number)	Lapsed during 2018 (Number)	Settled during 2018 (Number)	Closing Balance on 31 Dec 2018 (Number)	Value of Lapsed Awards During 2018 (ZAR)	Value of Settled Awards During 2018 (ZAR)	Estimated closing fair value on 31 Dec 2018 (ZAR)	
<b>Iain Williamson</b>													
<b>Long-Term Incentive Plan</b>													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	41,579	-	13,007	28,572	-	528,735	1,161,452	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	78,161	-	-	78,161	-	-	876,551	
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	142,858	-	-	142,858	-	-	1,914,869	
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	108,854	-	108,854	-	-	1,459,079	
<b>Deferred Short-Term Incentive</b>													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	34,644	-	-	34,644	-	1,408,279	-	
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	70,103	-	-	70,103	-	-	1,566,101	
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	53,884	-	-	53,884	-	-	1,203,769	
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	46,558	-	46,558	-	-	1,040,106	
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	37,13	22,34	-	336	-	336	-	-	7,506	
2018 Special Award	14 Dec 18	18 Sep 20	22,00	37,13	22,34	-	128	-	128	-	-	2,860	
<b>Managed Separation Incentive Plan</b>													
2018	18 Sep 18	18 Sep 19	29,80	37,13	22,34	-	162,217	-	162,217	-	-	3,623,928	
2018 Special Award	14 Dec 18	18 Sep 19	22,00	37,13	22,34	-	61,548	-	61,548	-	-	1,374,982	
<b>Total</b>						421,229	379,641	13,007	63,216	724,647	528,735	2,569,731	13,069,751
<b>Casper Troskie</b>													
<b>Long-Term Incentive Plan</b>													
2018 Tranche 1	18 Sep 18	18 Sep 21	29,80	37,13	22,34	-	100,671	-	-	100,671	-	-	1,349,394
2018 Tranche 2	18 Sep 18	18 Sep 22	29,80	37,13	22,34	-	100,671	-	-	100,671	-	-	1,349,394
2018 Tranche 3	18 Sep 18	18 Sep 23	29,80	37,13	22,34	-	100,672	-	-	100,672	-	-	1,349,407
2018 Special Grant Tranche 1	14 Dec 18	18 Sep 21	22,00	37,13	22,34	-	38,196	-	38,196	-	-	511,979	
2018 Special Grant Tranche 2	14 Dec 18	18 Sep 22	22,00	37,13	22,34	-	38,196	-	38,196	-	-	511,979	
2018 Special Grant Tranche 3	14 Dec 18	18 Sep 23	22,00	37,13	22,34	-	38,197	-	38,197	-	-	511,993	
<b>Deferred Short-Term Incentive</b>													
2018			-	-	-	-	-	-	-	-	-	-	
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	37,13	22,34	-	336	-	336	-	-	7,506	
2018 Special Award	14 Dec 18	18 Sep 20	22,00	37,13	22,34	-	128	-	128	-	-	2,860	
<b>Buy-out Award</b>													
2018	18 Sep 18	18 Sep 21	29,80	37,13	22,34	-	83,893	-	83,893	-	-	1,874,170	
2018 Special Grant	14 Dec 18	18 Sep 21	22,00	37,13	22,34	-	31,831	-	31,831	-	-	711,105	
<b>Total</b>						-	532,791	-	-	532,791	-	-	8,179,787

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## L: Directors' and Prescribe Officers' emoluments

### Bonus share awards

2018						2018							
						Share Units				Value (Pre-Tax)			
Award Date	Vesting Date	Issue Price (ZAR)	2017 20 Day Year End VWAP (ZAR)	2018 20 Day Year End VWAP (ZAR)		Opening Balance on 1 Jan 2018 (Number)	Granted during 2018 (Number)	Lapsed during 2018 (Number)	Settled during 2018 (Number)	Closing Balance on 31 Dec 2018 (Number)	Value of Lapsed Awards During 2018 (ZAR)	Value of Settled Awards During 2018 (ZAR)	Estimated closing fair value on 31 Dec 2018 (ZAR)
<b>Clarence Nethengwe</b>													
<b>Long-Term Incentive Plan</b>													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	13,457	-	4,210	9,247	-	171,137	375,891	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	15,515	-	-	-	15,515	-	-	173,996
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	18,884	-	-	-	18,884	-	-	253,121
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	95,792	-	-	95,792	-	-	1,283,996
<b>Deferred Short-Term Incentive</b>													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	4,038	-	-	4,038	-	-	164,145	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	20,329	-	-	-	20,329	-	-	454,150
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	15,715	-	-	-	15,715	-	-	351,073
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	35,757	-	-	35,757	-	-	798,811
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	37,13	22,34	-	336	-	-	336	-	-	7,506
2018 Special Award	14 Dec 18	18 Sep 20	22,00	37,13	22,34	-	128	-	-	128	-	-	2,860
<b>Managed Separation Incentive Plan</b>													
2018	18 Sep 18	18 Sep 19	29,80	37,13	22,34	-	51,334	-	-	51,334	-	-	1,146,802
2018 Special Award	14 Dec 18	18 Sep 19	22,00	37,13	22,34	-	19,477	-	-	19,477	-	-	435,116
<b>Discretionary Share Award</b>													
2015 Tranche 1	9 Sep 15	9 Sep 18	40,03	37,13	22,34	23,274	-	-	23,274	-	-	23,274	-
2015 Tranche 2	9 Sep 15	9 Sep 19	40,03	37,13	22,34	23,274	-	-	-	23,274	-	-	519,941
2015 Tranche 3	9 Sep 15	9 Sep 20	40,03	37,13	22,34	23,274	-	-	-	23,274	-	-	519,941
<b>Total</b>						157,760	202,824	4,210	36,559	319,815	171,137	563,310	5,947,313
<b>Clement Chinaka</b>													
<b>Long-Term Incentive Plan</b>													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	35,730	-	11,177	24,553	-	454,345	998,079	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	50,257	-	-	-	50,257	-	-	563,616
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	61,916	-	-	-	61,916	-	-	829,922
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	93,131	-	-	93,131	-	-	1,248,328
<b>Deferred Short-Term Incentive</b>													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	30,316	-	-	30,316	-	-	647,853	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	34,644	-	-	-	34,644	-	-	773,947
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	28,395	-	-	-	28,395	-	-	634,344
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	39,068	-	-	39,068	-	-	872,779
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	37,13	22,34	-	336	-	-	336	-	-	7,506
2018 Special Award	14 Dec 18	18 Sep 20	22,00	37,13	22,34	-	128	-	-	128	-	-	2,860
<b>Managed Separation Incentive Plan</b>													
2018	18 Sep 18	18 Sep 19	29,80	37,13	22,34	-	53,332	-	-	53,332	-	-	1,191,437
2018 Special Award	14 Dec 18	18 Sep 19	22,00	37,13	22,34	-	20,235	-	-	20,235	-	-	452,050
<b>Total</b>						241,258	206,230	11,177	54,869	381,442	454,345	1,645,932	6,576,789

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## L: Directors' and Prescribe Officers' emoluments

### Bonus share awards

2018						2018							
						Share Units				Value (Pre-Tax)			
Award Date	Vesting Date	Issue Price (ZAR)	2017 20 Day Year End VWAP (ZAR)	2018 20 Day Year End VWAP (ZAR)		Opening Balance on 1 Jan 2018 (Number)	Granted during 2018 (Number)	Lapsed during 2018 (Number)	Settled during 2018 (Number)	Closing Balance on 31 Dec 2018 (Number)	Value of Lapsed Awards During 2018 (ZAR)	Value of Settled Awards During 2018 (ZAR)	Estimated closing fair value on 31 Dec 2018 (ZAR)
<b>Karabo Morule</b>													
<b>Long-Term Incentive Plan</b>													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	13,370	-	4,182	9,188	-	169,998	373,492	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	49,500	-	-	-	49,500	-	-	555,127
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	59,966	-	-	-	59,966	-	-	803,784
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	101,113	-	-	101,113	-	-	1,355,319
<b>Deferred Short-Term Incentive</b>													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	18,306	-	-	18,306	-	-	744,139	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	26,739	-	-	-	26,739	-	-	597,349
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	21,817	-	-	-	21,817	-	-	487,392
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	37,580	-	-	37,580	-	-	839,537
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	37,13	22,34	-	336	-	-	336	-	-	7,506
2018 Special Award	14 Dec 18	18 Sep 20	22,00	37,13	22,34	-	128	-	-	128	-	-	2,860
<b>Managed Separation Incentive Plan</b>													
2018	18 Sep 18	18 Sep 19	29,80	37,13	22,34	-	100,883	-	-	100,883	-	-	2,253,726
2018 Special Award	14 Dec 18	18 Sep 19	22,00	37,13	22,34	-	38,277	-	-	38,277	-	-	855,108
<b>Senior Black Management Plan</b>													
2012	10 Apr 12	10 Apr 18	19,47	37,13	22,34	27,264	-	-	27,264	-	-	1,106,646	-
<b>Discretionary Share Award</b>													
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	25,000	-	-	-	25,000	-	-	558,500
<b>Total</b>						<b>241,962</b>	<b>278,317</b>	<b>4,182</b>	<b>54,758</b>	<b>461,339</b>	<b>169,998</b>	<b>2,224,277</b>	<b>8,316,208</b>
<b>Peter Moyo</b>													
<b>Long-Term Incentive Plan</b>													
2017	6 Sep 17	6 Sep 20	34,50	37,13	22,34	543,479	-	-	-	543,479	-	-	7,284,793
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	290,276	-	-	290,276	-	-	3,890,860
<b>Deferred Short-Term Incentive</b>													
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	54,690	-	-	54,690	-	-	1,221,775
<b>Broad-Based Employee Share Plan</b>													
2018	18 Sep 18	18 Sep 20	29,80	37,13	22,34	-	336	-	-	336	-	-	7,506
2018 Special Award	14 Dec 18	18 Sep 20	22,00	37,13	22,34	-	128	-	-	128	-	-	2,860
<b>Managed Separation Incentive Plan</b>													
2018	18 Sep 18	18 Sep 19	29,80	37,13	22,34	-	227,140	-	-	227,140	-	-	5,074,308
2018 Special Award	14 Dec 18	18 Sep 19	22,00	37,13	22,34	-	86,180	-	-	86,180	-	-	1,925,261
<b>Buy-out Award</b>													
2017 Tranche 1	6 Sep 17	6 Sep 20	34,50	37,13	22,34	181,160	-	-	-	181,160	-	-	4,047,114
2017 Tranche 2	6 Sep 17	6 Sep 21	34,50	37,13	22,34	181,160	-	-	-	181,160	-	-	4,047,114
2017 Tranche 3	6 Sep 17	6 Sep 22	34,50	37,13	22,34	181,159	-	-	-	181,159	-	-	4,047,092
<b>Total</b>						<b>1,086,958</b>	<b>658,750</b>	<b>-</b>	<b>-</b>	<b>1,745,708</b>	<b>-</b>	<b>-</b>	<b>31,548,683</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### L: Directors' and Prescribe Officers' emoluments

<b>Non-executive directors</b>	<b>2019</b>	<b>2018</b>
Trevor Manuel (Chairman)	<b>5,029,402</b>	7,059,658
Paul Baloyi	<b>1,359,535</b>	1,142,577
Peter de Beyer	<b>2,712,992</b>	2,971,121
Albert Essien	<b>1,191,764</b>	845,119
Itumeleng Kgaboesele	<b>1,408,959</b>	1,109,165
John Lister	<b>4,083,520</b>	2,632,080
Sizeka Magwentshu-Rensburg	<b>1,516,865</b>	1,280,610
Nombulelo Moholi	<b>1,276,472</b>	1,351,291
Thoko Mokgosi-Mwantembe	<b>1,320,185</b>	1,272,955
Nosipho Molope	<b>1,909,775</b>	1,287,674
Marshall Rapiya	<b>1,211,518</b>	1,249,307
Ignatius Sehoole (Resigned 8 October 2018)	–	1,340,140
	<b>23,020,987</b>	23,541,697

The above amounts are shown exclusive of VAT.

## Administration

For the year ended 31 December 2019

**Registered name:** Old Mutual Life Assurance Company (South Africa) Limited  
**Country of incorporation:** South Africa  
**Registration number:** 1999/004643/06

**Registered Office**  
 Mutualpark  
 Jan Smuts Drive  
 Pinelands  
 Cape Town  
 7405  
 South Africa  
 Telephone: +27 (0)21 509-9111

**Company Secretary:**  
 Elsabé Kirsten

**Directors**  
**Independent non-executive**  
 Trevor Manuel (Chairman)  
 Paul Baloyi  
 Peter de Beyer  
 Albert Essien  
 Itumeleng Kgaboesele  
 John Lister  
 Sizeka Magwentshu-Rensburg  
 Nosipho Molope

**Postal Address:**  
 PO Box 66  
 Cape Town  
 8000  
 South Africa

**Non-executive**  
 Thoko Mokgosi-Mwantembe<sup>1</sup>  
 Marshall Rapiya

**Executive**  
 Iain Williamson (Interim Chief Executive Officer)<sup>1</sup>  
 Casper Troskie (Chief Financial Officer)

**Public Officer**  
 Nazrien Kader

<sup>1</sup> Refer to note I3(c) in the annual financial statements for more information on changes in the status of directors.



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