OLDMUTUAL

Old Mutual Life Assurance Company (South Africa) Ltd

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2018

DO GREAT THINGS EVERY DAY

Contacts

Public officer	G C Eaves
Auditors	KPMG Inc. 4 Christiaan Barnard Street Foreshore Cape Town 8001 South Africa
	Deloitte & Touche 1st Floor The Square Cape Quarter 27 Somerset Rd Greenpoint Cape Town 8005 South Africa
Postal address	PO Box 66 Cape Town 8000 South Africa
Registered office	Mutualpark Jan Smuts Drive Pinelands 7405 South Africa
Company secretary	E M Kirsten
Company registration number	1999/004643/06
Preparation supervised by	C G Troskie Chief Financial Officer CA(SA)

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Contents

The reports and statements set out below comprise the separate and consolidated annual financial statements:

Statement of directors' responsibilities

Directors' responsibility statement

The directors of Old Mutual Life Assurance Company (South Africa) Ltd (OMLACSA) 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 OMLACSA (the Company), comprising the statement of financial position at 31 December 2018 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 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 annual financial statements during the financial year ended 31 December 2018.

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 Group's independent external auditors to report on the fair presentation of the consolidated and separate annual financial statements. These annual financial statements have been audited in terms of section 29(1) of the Companies Act, no 71 of 2008. Their unmodified report appears on page 8.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Old Mutual Life Assurance Company (South Africa) Ltd, as identified in the first paragraph, were approved by the board of directors on 22 March 2019 and signed on their behalf by:

T A Manuel
Chairman
Authorised Director

M P Moyo
Chief Executive Officer
Authorised Director

Certificate by the Company Secretary

I declare that, to the best of my knowledge, the Company has lodged all such returns and notices as are required of it in terms of section 88(2)(e) of the Companies Act of South Africa 71 of 2008, for the year ended 31 December 2018 and that all such returns appear true, correct and up to date.

E M Kirsten
Company Secretary

22 March 2019

Directors' report

The directors of Old Mutual Life Assurance Company (South Africa) Ltd have pleasure in submitting their report on the consolidated and separate annual financial statements for the year ended 31 December 2018.

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 R 7,901 million (2017: R 11,371 million), and R 9,021 million (2017: R 7,402 million) after tax.

Profit before tax for the Company was R 8,599 million (2017: R 10,850 million), and R 10,020 million (2017: R 7,188 million) after tax.

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.

Details of the Company's interest in its principal subsidiaries, joint ventures and associates are set out in note 8.1.

3. Holding Company

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

4. Ultimate holding Company

The Company's ultimate holding Company is Old Mutual Ltd 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 R 3,909 million (2017: R 5,551 million) and dividends on preference shares amounting to R 512 million (2017: R 1,290 million) were declared during the year by the Company. The ordinary dividend was made up of a cash dividend of R3,180 million and a dividend in specie of R729 million, which comprised of the Company's investment in UAP Holdings Ltd.

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.

7. Public interest score

The Company's public interest score, as determined in accordance with the relevant provisions of the Companies Act, of South Africa 71 of 2008, is 672,620 (2017: 680,320).

Directors' report (continued)

8. Directors

The directors of the Company during the year were as follows:

Name	Nationality	
P C Baloyi	South African	
P G de Beyer	South African	
A K Essien	Ghanaian	
I Kgaboesele	South African	
J R Lister	British	
T A Manuel	South African	
S M Magwentshu-Rensburg	South African	
T Mokgosi-Mwantembe	South African	
M P Moyo	South African	
N T Moholi	South African	
C W N Molope	South African	
B M Rapiya	South African	
I S Sehoole	South African	Resigned 08.10.2018
C G Troskie	South African	Appointed 27.03.2018

The directors who held office in 2018 are:

Executive directors

M P Moyo (Chief Executive Officer) r, c

C G Troskie (Chief Financial Officer)

Non-executive director

B M Rapiya r, c

Independent directors

P C Baloyi a,r,

P G de Beyer a, r, c

A K Essien r, c

I Kgaboesele a

J R Lister a, r

T A Manuel c

S M Magwentshu-Rensburg c

T Mokgosi-Mwantembe

N T Moholi c

C W N Molope a, r

a Member of the Audit Committee
r Member of Risk Committee
c Member of the Committee for Customer Affairs

Mr P G de Beyer, Ms N T Moholi, Ms C W N Molope and Mr B M Rapiya were due to retire by rotation. Mr P G de Beyer, Ms N T Moholi, Ms C W N Molope and Mr B M Rapiya, indicated that they would seek re-election at the Annual General Meeting, and all being eligible, offered themselves for re-election at the Annual General Meeting held on 11 May 2018.

In addition, the following directors; Mr T A Manuel, Mr M P Moyo, Mr P C Baloyi, Mr A K Essien, Mr I Kgaboesele, Mr J R Lister, Dr S M Magwentshu-Rensburg, Ms T M Mokgosi-Mwantembe, Mr I S Sehoole and Mr C G Troskie, who were appointed to the Board during 2017, were in terms of clause 20.2 of the MoI, recommended to the shareholder for appointment.

9. Company secretary

Ms E M Kirsten is the Company secretary.

Registered office	Mutual Park Jan Smuts Drive Pinelands 7405 South Africa
Postal address	PO Box 66 Cape Town 8000

10. Auditors

During the year Deloitte and Touche have been appointed as joint auditors, together with KPMG Inc. The auditor engagement is in accordance with section 90 of the Companies Act of South Africa.

Corporate governance report

Corporate Governance Framework

OMLACSA is a licensed life insurer and wholly-owned subsidiary of the Old Mutual Limited which is a JSE listed entity. During the year, ahead of its listing, Old Mutual Limited established a Group Governance Framework (GGF) which adheres to King IV. This framework outlines the governance requirements for the newly listed Group and its subsidiary entities. The Group is in compliance with King IV and requires that all 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 2018, 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 2018 on our corporate website for a full detail of the application and explanation of King IV requirements.

Going concern

The Board has satisfied itself that the Group and Company have 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

The Audit Committee is a committee of the Board of directors, and serves in an advisory capacity to the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, internal controls, the review of financial information and the preparation of the consolidated and separate annual financial statements. This includes satisfying the Board that adequate internal, operating and financial controls are in place, together with ensuring effective systems of governance and risk management.

Terms of reference

The Audit Committee has adopted formal terms of reference that have been updated and approved by the Board of directors, and is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Composition and meeting process

The current members are Ms C W N Molope (Chairman), Mr P C Baloyi, Mr P G de Beyer, Mr I Kgaboesele, and Mr J R Lister .

The committee comprises exclusively independent directors, and met quarterly as required with seven ad hoc meetings during the year with senior management, including the chief executive officer, the statutory actuary, the chief financial officer, the Group audit director, the chief risk officer and certain other executive management. The external and internal auditors attend these meetings and have unrestricted access to the committee and to its chairman. Ad hoc meetings are held as required.

Statutory duties

In execution of its statutory duties, as required in terms of the Companies Act of South Africa and the Insurance Act No18 of 2017, during the past financial year the Audit Committee has:

- Ensured the appointment as external auditors of the Company of a registered auditor who, in the opinion of the Audit Committee, was independent of the Company.
- Determined the fees to be paid to the external auditors and such auditors' terms of engagement.
- Ensured that the appointment of the external auditors complies with the Companies Act of South Africa and any other legislation relating to the appointment of such auditors.
- Determined the nature and extent of any non-audit services which the auditors may provide to the Company or such services that the auditors may not provide to the Company or related Company.
- Pre-approved any proposed contract with the auditors for the provision of non-audit services to the Company.
- Considered the independence of the external auditors and has concluded that the external auditors have been independent of the Company throughout the year taking into account all other non-audit services performed and circumstances known to the committee.
- Received and dealt appropriately with any complaints relating to the accounting practices and internal audit of the Company, the content or auditing of its consolidated and separate annual financial statements, the internal financial controls of the Company, or to any related matter.
- Made submissions to the Board on any matter concerning the Company's accounting policies, financial control, records and reporting.

Legal requirements

The Audit Committee has complied with all applicable legal, regulatory and other responsibilities for the period under review.

Consolidated and separate annual financial statements

Following our review of the consolidated and separate annual financial statements for the year ended 31 December 2018, we are of the opinion that, in all material respects, they comply with the relevant provisions of IFRS and the Companies Act of South Africa 71 of 2008 and that they fairly present the financial position at 31 December 2018 of the Company and subsidiaries, joint ventures and associates and the consolidated results of operations and cash flows for the year then ended.

C W N Molope
Chairman of the Audit Committee

22 March 2019

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 13 to 110, which comprise the statements of financial position at 31 December 2018, and the income statements, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies but excluding the Other unaudited information set out on pages 60 to 61.

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 2018, 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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) 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 Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B). 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 below are applicable to the consolidated and separate financial statements:

Valuation of insurance and investment contracts with discretionary participating features ('policyholder liabilities') – R301.2 billion (Consolidated) R300.1 billion (Separate) (on a gross basis) ***Refer to the accounting policy on pages 24 to 29 and disclosure notes on pages 30 to 38***	
Key Audit Matter	**Our response**
In valuing policyholder liabilities, judgement is required over a variety of uncertain future outcomes, including the policy for creating and releasing discretionary margins, economic assumptions such as discount rates; and operating assumptions, such as mortality and morbidity rates, maintenance expense and lapse rates. The valuation of policyholder liabilities involves complex models that are dependent on the completeness and accuracy of the data used in the models and the experience studies which inform key assumption decisions which are reliant on a number of underlying systems and processes. 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.	**Our procedures included:** • Evaluating the design and implementation of controls over the actuarial reserving processes to ensure the accuracy of data, the appropriateness of key assumptions and the assessment by the directors of the final measurement of investment and insurance contracts. • Verifying the accuracy of data included in valuation models through a combination of evaluating the design, implementation and operating effectiveness of associated controls, verifying on a sample basis the data inputs to source documentation, using data analytics to reconcile data sets between systems and identify anomalies. • Together with our actuarial specialists: – Assessing the appropriateness of methodologies and assumptions used to value the policyholder liabilities against our own knowledge of the relevant regulations, industry standards and market practice. – Challenging key assumptions, the methodologies used and the processes followed for setting and updating these assumptions, particularly around mortality rates, morbidity rates, maintenance expense and lapse rate assumptions. In addition, in the context of our knowledge of industry experience, external data and views of the Group's and the Company's analysis of experience to date, assessing the appropriateness of valuation assumptions including forecast investment returns. – Assessing the consistency of application of discretionary margins included in the determination of policyholder liabilities, with prior periods and policy. – Assessing the key models and the processes to extract the data from the policy administration systems, the Group's and the Company's analysis of movement in the results and, where relevant, performing independent recalculations of specific liabilities. • Considering whether the associated disclosures are compliant with IFRS and with the methodologies and assumptions approved by the directors. Based on procedures described above, our audit evidence supported management's assumptions and disclosures in respect of the valuation of insurance and investment contracts with discretionary participating features.

Independent Auditors' report (continued)

Valuation of investments and securities – R655.9 billion (Consolidated) R625.8 billion (Separate) *Refer to the accounting policy on pages 38 to 40 and disclosure notes on pages 40 to 47*	
Key Audit Matter	**Our response**
At 31 December 2018, investments and securities (financial instruments) carried at fair value through profit or loss represented 86.5% of total assets for the consolidated financial statements and 95.1% of the separate financial statements. Level 1 investments and securities represented 62.3% of the total balance for the consolidated financial statements and 47.8% of the separate financial statements. 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. Level 2 investments and securities represented 33.3% of the total balance for the consolidated financial statements and 39.5% of the separate 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 are determined using techniques where one or more significant inputs are unobservable. Consequently, the determination of the fair value of investments and securities classified as level 2 and 3 financial instruments are more complex and/or judgemental, with a higher level of estimation uncertainty. Due to the significance of level 1 investment 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. For the separate financial statements, this includes investments in associates, joint ventures and subsidiaries.	**Our procedures included:** • Selecting a sample of level 1 and level 2 financial instruments comprising of listed debt and equity and verifying their prices or other observable inputs against independent sources. • Selecting a sample of level 2 and level 3 financial instruments and performing the following procedures: – Using our own valuation experts to challenge and assess the key inputs and assumptions used in the valuation models, such as estimated cash flows and discount rates, and to critically assess the valuation methodologies against current market best practice, knowledge of regulations and industry standards. – Assessing the reasonableness of the estimated cash flows by back testing on accuracy of budgeting and assessing the reasonableness of discount rates used by comparing them to similar financial instruments. – 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. – 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. Based on the procedures described above, our audit evidence supported management's assumptions and disclosures in respect of the valuation of investments and securities.

Other information

The directors are responsible for the other information. The other information comprises the Certificate by the Company Secretary, the Audit Committee report and the Directors' report as required by the Companies Act of South Africa, the Statement of directors' responsibilities, the Corporate governance report, A guide to the financial statements and Other unaudited information included on pages 60 to 61. 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 on the other information 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's and the 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 consolidated and separate 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 the 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 the 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.
- 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 twenty eight years and Deloitte & Touche has been the auditor of Old Mutual Life Assurance Company (South Africa) Limited for one year.

KPMG Inc.

Registered Auditor
Per: Gary Pickering

Chartered Accountant (SA)
Registered Auditor
Director
22 March 2019

4 Christiaan Barnard Street
Foreshore
8001

Deloitte & Touche

Registered Auditor
Per: Alex Arterton

Chartered Accountant (SA)
Registered Auditor
Partner
22 March 2019

1st Floor, The Square
Cape Quarter
27 Somerset Road
Green Point
8005

A guide to the financial statements

The Group's business primarily involves the provision of all classes of life assurance, savings and retirement funding. The Group underwrites life insurance risks associated with death and disability. The diagram below illustrates the relationship of the various products to key areas of the financial statements and main risk exposures.

	Key risk exposure	Key performance impact	Note reference
Key liabilities arising from products offered: • Insurance contracts	Insurance risk and business risk	Net earned premium	3.2.1
		Net claims incurred	3.2.2
		Commission and other acquisition costs	
		Operating expenses	6.1
• Investment contracts with discretionary participating features • Investment contracts without discretionary participating features	Financial risk and business risk	Net earned premium	3.2.1
		Net claims incurred	3.2.2
		Commission and other acquisition costs	
		Operating expenses	6.1
		Fee, commission and other income	
		Change in investment contract liabilities	3.2.4
		Commission and other acquisition costs	
		Operating expenses	6.1
Key assets held by the Group to manage exposure from products offered: • Investments and securities	Financial risk	Investment return	3.3.3
• Investment properties • Owner-occupied property	Property valuation risk (non-financial)	Investment property	4.1
		Property revaluation reserve	4.2

Income statements

For the Year ended 31 December 2018

Rm	Notes	SEPARATE Year ended 31 December 2018	SEPARATE Year ended 31 December 2017	CONSOLIDATED Year ended 31 December 2018	CONSOLIDATED Year ended 31 December 2017
Revenue					
Gross earned premiums		**53,920**	48,320	**54,934**	49,348
Outward reinsurance		**(1,463)**	(1,311)	**(1,699)**	(1,532)
Net earned premiums	3.2.1	**52,457**	47,009	**53,235**	47,816
Investment return	3.3.3	**2,884**	68,110	**7,809**	83,642
Fee, commission and other income		**7,207**	6,772	**8,691**	8,007
Total revenue		**62,548**	**121,891**	**69,735**	**139,465**
Expenses					
Claims and benefits		**(42,819)**	(67,602)	**(43,124)**	(68,272)
Reinsurance recoveries		**1,495**	844	**1,741**	1,079
Net claims incurred	3.2.2	**(41,324)**	(66,758)	**(41,383)**	(67,193)
Change in investment contracts without discretionary participating features	3.2.4	**5,669**	(26,695)	**6,219**	(28,913)
Credit impairment charges		**(6)**		**(14)**	
Finance costs	3.3.4	**(1,096)**	(1,696)	**(2,028)**	(2,299)
Commission and other acquisition costs		**(6,788)**	(6,878)	**(6,965)**	(6,326)
Operating and administration expenses	6.1	**(10,404)**	(9,014)	**(13,345)**	(12,106)
Change in third party interest in consolidated funds				**(4,832)**	(11,218)
Total expenses		**(53,949)**	**(111,041)**	**(62,348)**	**(128,055)**
Share of joint ventures' and associates' profit/(loss) after tax	8.1	**–**	–	**514**	(39)
Profit before tax		**8,599**	**10,850**	**7,901**	**11,371**
Shareholders' tax	7.1	**1,637**	(2,530)	**1,471**	(2,718)
Policyholders' tax	7.1	**(216)**	(1,132)	**(351)**	(1,251)
Total income tax income/(expense)	7.1	**1,421**	**(3,662)**	**1,120**	**(3,969)**
Profit after tax for the financial year		**10,020**	**7,188**	**9,021**	**7,402**
Attributable to:					
Equity holders of the parent		**10,020**	7,188	**9,010**	7,412
Non-controlling interest		**–**	–	**11**	(10)
Profit after tax for the financial year		**10,020**	**7,188**	**9,021**	**7,402**

Statements of comprehensive income

	SEPARATE		CONSOLIDATED	
Rm	**Year ended 31 December 2018**	Year ended 31 December 2017	**Year ended 31 December 2018**	Year ended 31 December 2017
Profit after tax for the financial year	**10,020**	7,188	**9,021**	7,402
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss				
Property revaluation	**131**	62	**131**	62
Shadow accounting (change in long term policyholder liabilities due to property revaluation)	**(201)**	(147)	**(201)**	(147)
Movement in liability credit reserve	**(102)**	–	**(102)**	–
Actuarial gains on defined benefit plans and return on plan assets	**–**	12	**29**	12
Items that will be reclassified subsequently to profit or loss				
Currency translation differences on foreign operations	**64**	(24)	**188**	3
Other comprehensive profit/(loss) for the year net of taxation	**(108)**	(97)	**45**	(70)
Total comprehensive income	**9,912**	7,091	**9,066**	7,332
Attributable to:				
Equity holders of the parent	**9,912**	7,091	**9,066**	7,342
Non-controlling interest	**–**	–	**11**	(10)
	9,912	7,091	**9,077**	7,332

Statements of financial position

At 31 December 2018

Rm	Notes	SEPARATE **Year ended 31 December 2018**	 Year ended 31 December 2017	CONSOLIDATED **Year ended 31 December 2018**	 Year ended 31 December 2017
Assets					
Intangible assets	9.8	**1,794**	1,122	**2,362**	1,373
Investment property	4.1	**1,123**	1,196	**29,741**	24,229
Owner-occupied property	4.2	**4,012**	2,379	**4,012**	2,379
Equipment		**433**	381	**449**	392
Deferred tax assets	7.2	**58**	21	**189**	419
Reinsurance contracts	3.2.6	**524**	300	**1,033**	743
Post employment benefits	6.3	**–**	664	**–**	664
Deferred acquisition costs		**1,235**	1,202	**1,527**	2,345
Loans and advances		**188**	209	**188**	209
Investments and securities	3.3.5	**625,750**	622,575	**655,910**	688,690
Investment in associates and joint ventures	8.1	**–**	–	**27,188**	2,222
Derivative assets		**2,775**	3,662	**2,795**	3,662
Amounts due by Group companies	8.2	**3,216**	6,019	**1,832**	4,550
Other assets	9.1	**9,590**	11,213	**13,895**	14,425
Cash and cash equivalents	9.2	**6,216**	12,381	**16,128**	20,880
Non-current assets held for sale	9.4	**–**	1,220	**–**	1,313
Total assets		**656,914**	664,544	**757,249**	768,495
Liabilities					
Insurance contracts	3.2.3	**135,425**	148,942	**136,519**	149,987
Investment contracts without discretionary participation features	3.2.4	**261,250**	255,470	**275,145**	273,934
Investment contracts with discretionary participation features	3.2.5	**164,658**	164,822	**164,658**	164,822
Third party interests in consolidated funds		**–**	–	**76,374**	76,763
Borrowed funds	3.3.6	**6,048**	5,995	**17,037**	11,489
Share-based payment liabilities	6.2	**385**	576	**385**	576
Deferred revenue on investment contracts		**66**	151	**136**	1,070
Deferred tax liabilities	7.2	**1,545**	5,511	**3,217**	7,079
Derivative liabilities		**5,342**	5,001	**5,342**	5,001
Amounts due to Group companies	8.2	**1,271**	1,100	**3,151**	2,796
Provisions	9.7	**1,010**	1,266	**1,042**	1,299
Post employment benefits	6.3	**1,388**	–	**1,388**	–
Current tax payable		**706**	1,169	**707**	1,183
Collateral owing		**2,719**	8,094	**2,719**	8,094
Repurchase agreements		**6,002**	5,302	**6,002**	5,302
Other liabilities	9.3	**12,718**	10,226	**14,538**	15,072
Total liabilities		**600,533**	613,625	**708,360**	724,467
Shareholders' equity					
Share Capital and premium	9.5	**6,423**	6,423	**6,423**	6,423
Other reserves		**49,958**	44,496	**42,090**	37,557
Equity attributable to holders of the parent		**56,381**	50,919	**48,513**	43,980
Non-controlling interest		**–**	–	**376**	48
Total equity		**56,381**	50,919	**48,889**	44,028

Statements of changes in equity

SEPARATE

Rm	Share capital	Share premium	Property revaluation reserve	Liability Credit Reserves	Translation reserves	Total Reserves	Retained Earnings	Total equity
Balance at 1 January 2017	8	6,415	159	–	43	202	43,961	50,586
Profit after tax						–	7,188	7,188
Other comprehensive income			(86)		(23)	(109)	12	(97)
Issue of share capital								
Dividends						–	(6,841)	(6,841)
Other movements						–	83	83
Total changes	–	–	(86)	–	(23)	(109)	442	333
Balance at 31 December 2017	**8**	**6,415**	**73**	**–**	**20**	**93**	**44,403**	**50,919**
Profit after tax						**–**	**10,020**	**10,020**
IFRS9 Transitional				**(29)**		**(29)**	**10**	**(19)**
Other comprehensive income			**(70)**	**(102)**	**64**	**(108)**		**(108)**
Dividends						**–**	**(4,421)**	**(4,421)**
Transfer between reserves			**(70)**			**(70)**	**70**	**–**
Other movements						**–**	**(10)**	**(10)**
Total changes	**–**	**–**	**(140)**	**(131)**	**64**	**(207)**	**5,669**	**5,462**
Balance at 31 December 2018	**8**	**6,415**	**(67)**	**(131)**	**84**	**(114)**	**50,072**	**56,381**

CONSOLIDATED

Rm	Share capital	Share premium	Property revaluation reserve	Liability Credit Reserves	Translation reserves	Total Reserves	Retained Earnings	Non-controlling Interest	Total equity
Balance at 1 January 2017	8	6,415	159	–	48	207	36,830	(27)	43,433
Profit after tax							7,412	(10)	7,402
Other comprehensive income			(86)		3	(83)	13		(70)
Issue of share capital								60	60
Dividends							(6,841)		(6,841)
Acquisition of subsidiary								25	25
Other movements							19		19
Total changes	–	–	(86)	–	3	(83)	603	75	595
Balance at 31 December 2017	**8**	**6,415**	**73**	**–**	**51**	**124**	**37,433**	**48**	**44,028**
Profit after tax							**9,010**	**11**	**9,021**
IFRS 9 Transitional adjustment				**(29)**		**(29)**	**6**		**(23)**
IFRS 15 Transitional adjustment							**20**		**20**
Other comprehensive income			**(70)**	**(102)**	**188**	**16**	**29**		**45**
Issue of share capital								**273**	**273**
Dividends							**(4,421)**		**(4,421)**
Transfer between reserves			**(70)**			**(70)**	**70**		**–**
Acquisition of subsidiary								**44**	**44**
Additions from previously unconsolidated business							**(13)**		**(13)**
Other movements							**(85)**		**(85)**
Total changes	**–**	**–**	**(140)**	**(131)**	**188**	**(83)**	**4,616**	**328**	**4,861**
Balance at 31 December 2018	**8**	**6,415**	**(67)**	**(131)**	**239**	**41**	**42,049**	**376**	**48,889**

Statement of cash flows

For the Year ended 31 December 2018

Rm	Notes	SEPARATE Year ended 31 December 2018	SEPARATE Year ended 31 December 2017	CONSOLIDATED Year ended 31 December 2018	CONSOLIDATED Year ended 31 December 2017
Cash flows from operating activities					
Cash used in operations	9.6	**(1,967)**	(28,685)	**(10,660)**	(42,085)
Interest received		**21,475**	20,548	**21,793**	22,220
Dividends received		**7,858**	5,351	**9,795**	6,505
Interest paid		**(1,117)**	(1,684)	**(2,049)**	(2,287)
Tax paid	7.3	**(3,014)**	(2,466)	**(3,268)**	(2,756)
Net cash from operating activities		**23,235**	(6,936)	**15,611**	(18,403)
Cash flows from investing activities					
Net (acquisition)/disposal of property and equipment		**(791)**	68	**(798)**	61
Acquisition of investment property	4.1	**(92)**	(349)	**(1,275)**	(1,899)
Proceeds from disposal of investment property		**364**	844	**372**	910
Acquisition of intangible assets	9.8	**(722)**	(554)	**(829)**	(648)
Acquisition of investment in associates		**–**	(191)	**–**	(493)
Acquisition of investment in subsidiaries		**–**	–	**(839)**	(900)
Issue of loan as part of business combination		**–**	–	**–**	(1,299)
Net (acquisition)/disposal of financial instruments		**(25,367)**	(4,194)	**(16 739)**	8,524
Proceeds from disposal of non-current asset held for sale		**200**	149	**293**	378
Net cash used in investing activities		**(26,408)**	(4,227)	**(19 815)**	4,634
Cash flows from financing activities					
Proceeds from borrowed funds		**–**	–	**2,333**	2,600
Repayment of borrowed funds		**–**	–	**–**	(1,400)
Funding received in respect of repurchase agreements		**700**	5,302	**700**	5 302
Dividends paid to Company's shareholders		**(3,692)**	(6,841)	**(3,692)**	(6,841)
Net cash used in financing activities		**(2,992)**	(1,539)	**(659)**	(339)
Net decrease in cash and cash equivalents		**(6,165)**	(12,702)	**(4,863)**	(14,108)
Cash and cash equivalents at beginning of the year		**12,381**	25,083	**20,880**	34,090
Cash acquired as part of business combination		**–**	–	**111**	898
Total cash and cash equivalents at end of the year	9.2	**6,216**	12,381	**16,128**	20,880

Notes to the financial statements

For the period ended 31 December 2018

1. Basis of preparation

The consolidated and separate financial statements for the year ended 31 December 2018 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 which are accounted for as investments at fair value through profit or loss).

The financial statements comprise the consolidated and separate statement of financial position at 31 December 2018, consolidated and separate income statement, consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year ended 31 December 2018 and explanatory notes. The financial statements have been prepared under the supervision of C G Troskie CA (SA) (Chief Financial Officer) on the going concern basis, which the Directors believe is appropriate.

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), 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 Group's presentation currency is South African rand and all amounts are presented in millions of rands.

The accounting policies applied in the preparation of these financial statements are in terms of IFRS as issued by the IASB and are consistent with those applied in the preparation of the Group's 2017 consolidated and separate financial statements, except for changes arising from the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers', as set out in note 10.1 to the financial statements.

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.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments.

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
Classification of contracts	3.2
Measurement of policyholder liabilities	3.2
Fair value measurement of financial assets and liabilities	5
Recognition and measurement of provisions	9.7
Estimation of uncertain tax positions	7
Fair value measurement of Investment property and owner-occupied property	4
Consolidation of investment vehicles	8.1
Classification of financial instruments	3.3.1
Impairment of financial instruments	3.3.1

Accounting policy elections

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

Area	Details
Policyholder liabilities: insurance contracts and investment contracts with discretionary participating features	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.

Area	Details
Policyholder liabilities: insurance contracts	Shadow accounting is applied to insurance contract liabilities where the underlying measurement of the policyholder liability depends directly on the value of owner-occupied property and the unrealised gains and losses on such property are recognised in other comprehensive income (OCI). Fair value adjustments to insurance contract liabilities are recognised in OCI to the extent that the unrealised gains or losses on the related underlying owner occupied property, are recognised in OCI.
Financial instruments	The Group has elected to designate certain financial assets and liabilities at fair value through profit and loss to reduce the accounting mismatch. 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
Investment properties	The Group has elected to recognise all investment properties at fair value, with changes in fair value being recognised in profit and loss.
Owner-occupied property	Owner-occupied property is stated at revalued amounts. Revaluation surpluses are recognised directly in equity, through other comprehensive income.

2. Segment information

OMLACSA has identified the chief operating decision maker function as the Executive Committee, led by the CEO (the Executive Committee serves as advisors to the CEO), which encompasses individuals who are tasked with assessing the operating results of the operating segments and the allocation of resources to the appropriate operating segments. The Executive Committee consists of individuals who have strong operational experience and extensive knowledge of the entity.

The Group's reported segments comprise:

- **Mass and Foundation Cluster**, a retail segment that operates in life and savings. It provides simple financial services products to customers in the low income and lower middle-income markets (individuals earning from R1,000 to R20,000 monthly).
- **Personal Finance**, a retail segment that operates primarily in life and savings. It provides holistic financial advice and long-term savings, investment, income and risk protections and targets the middle-income market (individuals earning from R20,000 to R80,000 monthly).
- **Wealth and Investments**, which operates in life and savings and asset management. Wealth (SA) is a retail segment targeting high income and high net worth individuals earning in excess of R80,000 monthly, that provides vertically integrated advice, investment solutions and funds, and risk protection. The segment has operations in foreign jurisdictions, namely Guernsey, Isle of Man and Hong Kong. The value of the total assets held in these jurisdictions for 2018 are R43 711m.
- **Old Mutual Corporate**, which operates in life and savings. The segment primarily provides Group risk, investments, annuities and consulting services to employer-sponsored retirement and benefit funds.
- **Other Group Activities**: Comprises the activities related to the management of the Group's capital structure. This includes the management of shareholder investment assets and the associated shareholder investment return, and third-party borrowings and the associated finance costs. Also included are investments in associated undertakings. Subsequent to the Nedbank unbundling, the Group retained a minority shareholding of 19.9%, and this is managed as part of Other Group Activities. Other Group Activities also includes the elimination of inter-segmental transactions and balances.

The segmental results are reported on a basis consistent with the internal reporting provided to the chief operating decision maker.

Segment revenue is revenue that is directly attributable to a segment and the relevant portion of the Group's revenue that can be allocated on a reasonable basis. Given the nature of the Group's operations, no single external client provides 10% or more of the Group's revenue. Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to a segment. Segment liabilities are those operating liabilities that result from operating activities of a segment. There are no differences between the measurement of the assets and liabilities reflected in the primary financial statements and those that are reported for the segments.

Assets, liabilities, revenues or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current contractual prices.

The 2018 segment disclosures include an allocation of policyholder assets that were previously included in other Group activities. This allocation better reflects the matching of these assets to the policyholder liabilities that they back.

Notes to the financial statements

For the year ended 31 December 2018

2. Segment information (continued)

	CONSOLIDATED 2018						
Rm	Mass and Foundation Cluster	Personal Finance	Wealth and Investment	Old Mutual Corporate	Other Group Activities	Consolidation of funds	Total
Income statement							
Segment revenue							
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 (losses)	92	2,077	(2,848)	2,094	1,043	5,351	7,809
Fee, commission and other income	15	3,709	4,554	522	(121)	12	8,691
Segment expenses							
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)	(981)	–	(2,028)
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)	(1,062)	(490)	(13,345)
Change in third party interest in consolidated funds	–	–	–	–	–	(4,832)	(4,832)
Segment result	2,389	2,020	780	1,853	345	–	7,387
Share of associates and joint ventures loss after tax	4	9	4	36	461	–	514
Profit before tax	2,393	2,029	784	1,889	806	–	7,901
Statement of financial position							
Total assets	20,226	199,305	188,162	269,956	945	78 655	757 249
Insurance contracts	(910)	(73,861)	(3)	(62,530)	785	–	(136,519)
Investment contracts without discretionary participating features	(80)	(78,352)	(175,510)	(33,473)	12,270	–	(275,145)
Investment contracts with discretionary participating features	(10,647)	(12,796)	(2,564)	(138,651)	–	–	(164,658)
Third party interests in consolidated funds						(76 374)	(76 374)
Non-policyholder and other liabilities	(6,190)	(30,938)	(7,377)	(33,420)	24,305	(2,044)	(55,664)
Total liabilities	(17,827)	(195,947)	(185,454)	(268,074)	37,360	(78 418)	(708 360)

Rm	CONSOLIDATED 2017						
	Mass and Foundation Cluster	Personal Finance	Wealth and Investment	Old Mutual Corporate	Other Group Activities	Consolidation of funds	Total
Income statement							
Segment revenue							
Gross earned premiums	10,952	11,827	164	26,405	–	–	49,348
Outward reinsurance	(39)	(1,109)	–	(384)	–	–	(1,532)
Net earned premiums	10,913	10,718	164	26,021	–	–	47,816
Investment income (net of investment losses)	1,634	21,974	16,747	25,109	6,507	11,671	83,642
Fee, commission and other income	4	3,764	5,883	545	(2,222)	33	8,007
Segment expenses							
Claims and benefits	(6,103)	(16,661)	(466)	(42,883)	(2,159)	–	(68,272)
Reinsurance recoveries	30	509	–	540	–	–	1,079
Net claims incurred (including change in insurance contract provisions)	(6,073)	(16,152)	(466)	(42,343)	(2,159)	–	(67,193)
Change in investment contract liabilities	–	(8,085)	(16,931)	(4,144)	247	–	(28,913)
Finance costs	–	(159)	(70)	(465)	(1,605)	–	(2,299)
Commission and other acquisition costs	(1,840)	(4,444)	(2,372)	(436)	2,766	–	(6,326)
Operating and administration expenses	(2,231)	(3,720)	(1,796)	(2,550)	(1,323)	(486)	(12,106)
Change in third party interest in consolidated funds	–	–	–	–	–	(11,218)	(11,218)
Segment result	**2,407**	**3,896**	**1,159**	**1,737**	**2,211**	**–**	**11,410**
Share of associates and joint ventures loss after tax	–	–	–	1	(40)	–	(39)
Profit before tax	2,407	3,896	1,159	1,738	2,171	–	11,371
Statement of financial position							
Total assets	18,445	212,700	183,601	261,310	11,975	80,464	768,495
Insurance contracts	(1,951)	(81,846)	(150)	(62,941)	(3,099)	–	(149,987)
Investment contracts without discretionary participating features	–	(80,636)	(170,916)	(33,747)	11,365	–	(273,934)
Investment contracts with discretionary participating features	(10,566)	(13,406)	(2,951)	(137,899)	–	–	(164,822)
Third party interests in consolidated funds	–	–	–	–	–	(76,763)	(76,763)
Non-policyholder and other liabilities	(3,533)	(32,368)	(7,671)	(25,093)	13,405	(3,701)	(58,961)
Total liabilities	**(16,050)**	**(208,256)**	**(181,688)**	**(259,680)**	**21 671**	**(80,464)**	**(724,467)**

3. Key exposures

3.1 Risk acceptance and management

Risk type	Exposure arising from	Risk management
Insurance risks		
Insurance risk The Group assumes insurance risk, by issuing insurance contracts under which the Group agrees to compensate the policyholder or beneficiary if a specified uncertain future event affecting the policyholder occurs.	Variable mortality and disability claims when providing customers with insurance contracts. Providing customers with retirement income for life which results in uncertainty about the extent to which annuitant mortality will improve in future (longevity).	Refer to note 3.2.8 for insurance risk management and exposure at the individual risk level.
Financial Risks		
Market risk This is the risk of a financial impact arising from changes in the value of financial assets or financial liabilities from changes in equity, bond and property prices, interest rates and foreign exchange rates. The Group separately considers currency translation risk, which relates to the translation of earnings and capital to our reporting currency. Secondary market risk arises from our exposure to asset- based fees.	Providing customers with long-term smoothed investment returns and guarantees on certain linked products.	Refer to note 3.3.6 for market risk management in respect of investment contracts.
	Asset liability management on non-profit guaranteed products which provide guaranteed investment returns, where the Company is able to adequately match the liabilities with appropriate assets, and where the profit margin is sufficient.	Limited amount of mismatch is tolerated where full matching is not possible, or where the expected benefit of mismatching exceeds the mismatch risk, provided the exposure is limited to an approved amount.
	Investment of shareholder assets.	A large proportion of the shareholder portfolio assets are invested in cash or near cash, although there is appetite for some exposure to equities or protected (hedged) equities.
Credit risk This relates to the risk of credit defaults. It includes lending risk, where a borrower becomes unable to repay outstanding balances, as well as counterparty risk where an asset is not repaid in accordance with the terms of the contract. The risk of credit spreads changing is included under market risk.	Credit defaults and movements in credit spreads from the insurance business. This includes counterparty default risk, which also arises mainly from reinsurance and hedging activities. Amounts due from policyholders.	Diversified credit portfolios are run across various businesses in order to minimise concentration risks by sector, industry and term of credit risk.
	Default or migration relating to our debtors book arising in the normal course of business.	The Group manages various debtors tightly through dealing with approved counterparties, obtaining sufficient collateral, where appropriate, and monitoring credit exposure.

Risk type	Exposure arising from	Risk management
Liquidity risk The risk that liquid assets may not be available to pay obligations at a reasonable cost, when due.	Long-term savings business which gives the Group a strategic advantage in attracting longer dated liabilities from customers, which can be invested in longer dated assets.	The Group-wide liquidity policy sets out the parameters within which all business units must operate in order to identify, measure and manage liquidity risk. Liquidity headroom is a key risk indicator and control for managing Group liquidity risk. It ensures the Group has sufficient liquidity to cover both asset liquidity risk and funding liquidity risk.
	Certain derivative strategies backing guaranteed investment and annuity products, shortfall of liquid assets to pay significantly higher than expected claims or surrender payments, as well as funding shortfalls in the business.	The Group ensures sufficient capital is available at all times to fulfil business and regulatory requirements and that sufficient liquidity and funding resources are available to meet financial obligations as they fall due, under both normal and stressed business conditions, expected claims or surrender payments, as well as funding shortfalls in the business.
Other risks		
Business risk 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.	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.	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). The Group offers innovative products to suit different clients and needs, enabling it to find opportunities even in challenging market conditions. In order to limit lapse risk, products are designed to limit the financial loss on surrender, subject to "Treating Customers Fairly" principles. Expense risk is limited through the quarterly monitoring of budgets and forecasts.
Operational risk The risk arising from operational activities, such as a failure of a major system, or losses incurred as a consequence of people and/or process failures, including external events.	A natural consequence of operational activities necessary to do business.	The Group seeks to reduce operational risk through effective processes, systems and controls. The Group has a strategic risk management system which is used to increase our understanding of the operational risks in the business and facilitate improvement in the controls to reduce losses. Operational risk is one of the metrics in our risk appetite framework: it is continuously monitored and the Group takes action if it approaches the limit.

3. Key exposures (continued)

3.1 Risk acceptance and management (continued)

Risk type	Exposure arising from	Risk management
Regulatory and compliance risk The risk that laws and regulations will be breached. This includes risk of regulatory intervention resulting in sanctions being imposed or a temporary restriction on our ability to operate and/or an additional regulatory capital charge. It also includes failure to adapt to regulatory change and business conduct risk.	Laws and regulations with which the Group is required to comply.	Engage with and challenge the authorities to ensure that their interpretation of laws and regulations are correct. Make the best use of opportunities provided to comment on proposed new laws and regulations and lobby appropriately.
Strategic risk The risk of failing to implement the strategy of each business and the management of associated changes to the business, including external factors such as political risk.	Associated with various initiatives to transform our business in order to remain relevant, competitive and profitable.	The Group seeks to manage this risk with tight programme governance.

3.2 Insurance and investment contracts

Classification of contracts

The Group issues contracts that transfer insurance risk or financial risk or, in some cases, both from the policyholder to the Group. The Group provides life insurance and savings products which are categorised into life insurance contracts, investment contracts with discretionary participating features or investment contracts without discretionary participating features.

Significant accounting estimates and judgements – Classification of contracts

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 significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. If significant additional benefits would be payable in scenarios that have commercial substance, significant insurance risk exists even if the insured event is extremely unlikely or even if the expected present value of contingent cash flows is a small proportion of the expected present value of all the remaining contractual cash flows.

A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire.

Contracts that expose the Group to financial risk and do not expose the Group to significant insurance risk are investment contracts.

Investment contracts with discretionary participating features 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 without discretionary participating features. Such contracts include unit-linked contracts and investment contracts sold without life insurance protection.

Insurance contracts

Insurance contracts provide the policyholder or their beneficiary with a specified payment on their death, disability, survival or other insured event. Regular bonuses may be added to the guaranteed sum assured over the term of the policy and, in addition, a final bonus may be paid on death or maturity. Insurance contracts principally expose the Group to mortality and morbidity risk and, for products which have investment performance and annuity guarantees, investment risk.

The Group charges a single or regular premium and depending on the type of contract, the premiums charged may be reassessed and renewed annually. The Group's ability to generate profit from these contracts is a factor of whether the premiums charged, and return on assets held to manage the risk, are sufficient to cover the claims paid.

The Group provides insurance contracts both to individuals and on a collective basis to companies and retirement funds. The key terms of the Group's principal insurance contracts are set out below:

Product solution and key benefits	Essential terms	Main risks	Guarantees	Policyholder participation in investment return
Universal Life with protection Old generation universal life and reversionary bonus products with guaranteed death and annuity benefits	Certain mortality/ morbidity rates may be repriced	Mortality Morbidity Investment Persistency	Some investment performance, cover and annuity guarantees	Yes
Pure protection Products which pay a predetermined amount (either as a lump sum or as a recurring benefit) on death, disability or severe illness	Rates are reviewable after the guarantee term	Mortality Morbidity Persistency	Rates fixed for a specified period	None
Non-profit annuity Payment of a pension according to fixed contract terms	Regular benefit payments guaranteed in return for consideration	Longevity Investment	Benefit payment schedule is guaranteed	None
With-profit annuity Payment of a pension where future increases depend on underlying performance of the fund	Regular benefit payments participating in profits in return for consideration	Investment	Benefits payable, including increases granted, can never be reduced	Yes

Investment contracts

As part of the savings products offered, the Group issues investment contracts to clients which include third-party financial institutions, retirement funds, public sector organisations, investment professionals and private investors. The investment contracts provide a pay-out to investors based on the terms of the specific products which may include:

- payment directly linked to the return of the underlying assets;
- payment based on the return of the underlying assets, with guaranteed minimum payments; and
- additional payments, at the Group's discretion, as a supplement to guaranteed minimum payments, likely to be a significant portion of the benefits.

The Group classifies investment contracts whose terms include significant additional discretionary payments in addition to guaranteed minimum payments as investment contracts with a discretionary participating feature. These contracts are accounted for in the same way as insurance contracts. Other investment contracts are accounted for at fair value through profit or loss.

The Group generates revenue primarily from fees and commission income, premium based charges and transactional charges. Fees earned on products such as pensions and mutual funds are calculated as a percentage fee based on the assets held. The fees and other income earned by the Group on these contracts are recovered by deduction from the investment balance. Investment risk on these contracts rests mainly with the customer, with the Group's key exposure to changes in the markets coming from higher or lower fee and commission income.

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.

Smoothed bonus products constitute a significant portion of the business. Smoothing of returns is achieved by holding back some of the net investment return during periods of above average investment performance and releasing it again in times when investment performance is below average. Any funds held back in order to smooth investment returns are kept for the future benefit of policyholders whose policies are covered by the fund.

3. Key exposures (continued)

3.2 Insurance and investment contracts (continued)

Product solution & key benefits	Essential terms	Main risk	Guarantees	Policyholder participation in investment return
Investment contracts with discretionary participating features				
Smoothed bonus products Guaranteed investment portfolios that offer smoothed returns, protecting investors from the risks of a volatile market	Bonuses are declared and charges are reviewable subject to the Principles and Practices of Financial Management	Investment	Various levels of guaranteed benefits on capital, contributions and declared bonuses	Yes
Investment contracts without discretionary participating features				
Unit-linked policies *Pro-rata* share of underlying financial assets, derivatives and/or investment property	Charges are reviewable	Limited as investment risk lies with unitholder	Limited guarantee. Fair value of liability is equal to the current unit fund value	Yes
Other contracts Payment of principal and return, which may be guaranteed	Charges may be reviewable	Investment	Some investment performance guarantees	Yes

Accounting policy

The accounting treatment followed for insurance contracts, investment contracts with discretionary participating features and investment contracts are set out below:

	Life insurance, savings products and investment contracts		
	Insurance contracts	**Investment contracts with discretionary participating features**	**Investment contracts without discretionary participating features**
Level of insurance risk	Significant	Not significant	Not significant
Benefit to policyholder	Compensation if a specified uncertain event (insured event) adversely affects policyholder	Additional payments, at the Group's discretion, as a supplement to guaranteed minimum payments, likely to be a significant portion of the benefits	**Unit linked contracts:** pro rata share of underlying financial assets, derivatives and/or investment property **Other contracts:** payment of principal and return, which may be guaranteed
Policyholder liabilities			
Nature	Best estimate of Group's exposure from the contracts taking into account future benefit payments less premiums to be received		Liability for amounts held for the benefit of the policyholder
Method of measurement	Gross premium valuation method in accordance with Financial Soundness Valuation (FSV) basis		Designated at fair value through profit or loss (FVTPL) and amortised cost

<table>
<tr><th></th><th colspan="3">Life insurance, savings products and investment contracts</th></tr>
<tr><th></th><th>Insurance contracts</th><th>Investment contracts with discretionary participating features</th><th>Investment contracts without discretionary participating features</th></tr>
<tr><td rowspan="2">Measurement principles</td><td colspan="2">Policyholder’s future benefit: Provisions valued using realistic expectations of future experience, with compulsory margins as required in terms of SAP 104 and additional discretionary margins for prudence and deferral of profit emergence.

The liability is determined as the sum of the expected discounted value of the best estimate of benefit payments and the future administration expenses (including proportional costs associated with governing the Company) that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used.

Embedded investment options and guarantees are calculated on a market-consistent basis, with additional margins added as permitted by APN 110.</td><td>Unit linked contracts: Account balance which reflects the fair value of financial assets within the unitised investment funds linked to the financial liability multiplied by the number of units held by the policyholder, (adjusted for tax)

Other contracts: Fair value determined by reference to the fair value of the underlying assets.</td></tr>
<tr><td colspan="2">Assumptions are periodically reviewed with changes recognised in profit or loss.

Shadow accounting is applied to insurance contract liabilities where the underlying measurement of the policyholder liability depends directly on the value of owner-occupied property and the unrealised gains and losses on such property, are recognised in OCI. Shadow accounting adjustment to insurance contract liabilities is recognised in OCI to the extent the unrealised gains or losses, together with any related taxation on the owner-occupied property, are recognised in OCI.</td><td>Premiums received are recorded as deposits to investment contract liabilities and claims paid are recorded as a deduction from investment contract liabilities.
The Group designates investment contract liabilities at fair value through profit or loss with fair value movements recognised in profit or loss. In limited instances (such as the fixed bond product) investment contract liabilities are subsequently measured at amortised cost using the effective interest method.
Interest expense on these liabilities is based on the effective interest rate and is recognised as an increase in the carrying value of the investment contract liability and in profit or loss as finance costs.
Payments made to the investor reduces the carrying value of the investment contract liability.</td></tr>
<tr><td>Liability adequacy testing</td><td colspan="2">Performed at business unit level to ensure carrying amount of liabilities (less related deferred acquisition costs and intangible assets) is sufficient in view of the estimated future cash flows. Discounted cash flows are compared to carrying value of the liability at discounted rates appropriate to the business in question.

If a shortfall is identified, additional provision raised.</td><td>Subject to “deposit floor” where the liability cannot be less than the amount repayable on demand.</td></tr>
<tr><td>Other liabilities</td><td>Outstanding claims are recognised in insurance contract liabilities and are stated gross of reinsurance.</td><td>Bonus stabilisation reserves: Any funds held back in order to smooth investment returns are kept for the future benefit of policyholders whose policies are covered by the fund.</td><td>Deferred revenue liability: In terms of IFRS 15 revenue is recognised when the related performance obligation has been satisfied.

The initial fee received should be recognised as revenue when the services have been provided. The initial financial planning fee paid should be expensed when incurred.</td></tr>
</table>

3. Key exposures (continued)

3.2 Insurance and investment contracts (continued)

<table>
<tr><th></th><th colspan="3">Life insurance, savings products and investment contracts</th></tr>
<tr><th></th><th>Insurance contracts</th><th>Investment contracts with discretionary participating features</th><th>Investment contracts without discretionary participating features</th></tr>
<tr><td colspan="4">Revenue</td></tr>
<tr><td>Nature</td><td colspan="2">Premium on contracts.</td><td>Fees for investment management services.</td></tr>
<tr><td>Measurement</td><td colspan="2">Gross of commission, excluding tax and levies.</td><td>Gross of commission excluding tax and levies.</td></tr>
<tr><td>Recognised in</td><td colspan="2">Profit or loss.</td><td>Addition to investment contract liability.</td></tr>
<tr><td>Timing</td><td colspan="2">When due for payment.</td><td>As services are provided.
The initial financial planning fee paid by policyholders is recognised when earned.</td></tr>
<tr><td colspan="4">Claims</td></tr>
<tr><td>Nature</td><td colspan="2">Maturities, annuities, surrenders, death, disability payments.</td><td>Maturities, annuities, death and withdrawals.</td></tr>
<tr><td>Measurement</td><td colspan="2">Contractually defined, excluding tax.</td><td>Contractually defined, excluding tax.</td></tr>
<tr><td>Recognised in</td><td colspan="2">Profit or loss.</td><td>Deduction from investment contract liability.</td></tr>
<tr><td>Timing</td><td colspan="2">Maturity and annuities: as the policy falls due for payment.
Death and disability claims and surrenders, when notified.</td><td>When contract falls due for payment or when notified.</td></tr>
<tr><td colspan="4">Acquisition costs</td></tr>
<tr><td>Recognition</td><td colspan="2">As the gross premium valuation method makes implicit allowance for the deferral of acquisition costs, no explicit deferred acquisition cost asset is recognised.</td><td>Incremental costs that are directly attributable are capitalised if the Company expects to recover those costs.
Amortised as the related revenue is recognised over: 5 – 10 years</td></tr>
</table>

	Life insurance, savings products and investment contracts		
	Insurance contracts	**Investment contracts with discretionary participating features**	**Investment contracts without discretionary participating features**
Reinsurance *The Group reinsures to limit its net potential loss on insurance contracts it has issued.* *Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets, otherwise such contracts are accounted for as financial instruments.*			
Ceded reinsurance third party insurer takes on some of Group's risk	Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from those in respect of the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Reinsurance premiums paid 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. Reinsurance assets are measured on a basis that is consistent with measurement of the related insurance contract and include recoveries due from the reinsurance companies in respect of claims already paid. Reinsurance assets are assessed for impairment at each reporting date. Reinsurance recoveries are recognised in profit or loss in the same period as the related claim.		

Significant accounting estimates and judgements – Discretionary margins

Actuarial 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 technical provisions 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 R 7,984 million (1.4% of total actuarial liabilities) were held at 31 December 2018 (2017: R8,021 million).

3. Key exposures (continued)

3.2.1 Net earned premium

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Gross premium earned from:				
Insurance contracts	**25,423**	24,246	**26,437**	25,274
Investment contracts with discretionary participating features	**28,497**	24,074	**28,497**	24,074
Gross earned premiums	**53,920**	48,320	**54,934**	49,348
Outwards reinsurance premium ceded	**(1,463)**	(1,311)	**(1,699)**	(1,532)
Net earned premiums	**52,457**	47,009	**53,235**	47,816

3.2.2 Net claims incurred

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Gross claims and benefits from insurance contracts	**17,551**	28,135	**17,864**	28,805
Gross claims and benefits from investment contracts with discretionary participating features	**25,268**	39,467	**25,260**	39,467
Gross claims incurred	**42,819**	67,602	**43,124**	68,272
Reinsurers' share of claims incurred	**(1,495)**	(844)	**(1,741)**	(1,079)
Net claims incurred	**41,324**	66,758	**41,383**	67,193

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

3.2.3 Insurance contracts

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Insurance contracts				
Outstanding claims	**2,162**	2,354	**2,162**	2,355
Future policyholders' benefits	**133,263**	146,588	**134,357**	147,632
	135,425	148,942	**136,519**	149,987

All policyholder liabilities are classified as non-current, with the exception of outstanding claims which is classified as current.

Movement in future policyholder's benefits for insurance contracts

Rm	SEPARATE 2018	SEPARATE 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Balance at beginning of the year	**146,588**	146,885	**147,632**	147,805
Inflows				
Premium income	**25,424**	24,246	**26,437**	25,274
Investment income (net of investment losses)	**4,941**	16,491	**5,150**	16,578
Outflows				
Claims and policy benefits	**(30,876)**	(28,432)	**(31,138)**	(28,978)
Operating expenses	**(8,516)**	(8,309)	**(8,537)**	(8,403)
Other charges and transfers	**261**	963	**446**	1,236
Tax	**29**	(251)	**(109)**	(400)
Transfer to operating profit	**(4,588)**	(5,005)	**(5,524)**	(5,480)
Balance at end of the year	**133,263**	146,588	**134,357**	147,632

3.2.4 Investment contracts without discretionary participating features

Rm	SEPARATE 2018	SEPARATE 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Balance at beginning of the year	**255,470**	229,242	**273,934**	249,315
New contributions received	**39,375**	41,608	**40,341**	43,221
Withdrawals	**(33,597)**	(39,417)	**(35,619)**	(42,541)
Fair value movements, net of tax	**(5,669)**	26,695	**(6,219)**	28,913
Foreign currency translation	**5,710**	(2,309)	**5,710**	(2,309)
Fees deducted	**(2,915)**	(2,704)	**(3,002)**	(2,665)
Transfers	**2,876**	2,355	**–**	–
Balance at end of the year	**261,250**	255,470	**275,145**	273,934

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 2018: R1,233 million (2017: R1,201 million). The consolidated results include the impact of the adoption of IFRS 15 of R847 million.

The capitalised costs are amortised in profit or loss over the life of the contracts. Deferred acquisition costs are amortised over the average expected duration of the investment contract with our clients 2018: R350 million (2017: R348 million).

Basis changes

The 2018 analysis of profit provides a measure of the aggregate experience in 2018. During this valuation period, actual experience was in aggregate more favourable than the valuation assumptions. Positive expense and persistency variances were partially offset by unfavourable mortality experience.

Various actuarial assumption changes have been made which resulted in a net reduction in the value of liabilities of R8 million (2017: R747 million reduction in liabilities). This is mainly driven by improvements to modelling spouse mortality in Mass Foundation Cluster and a revision to the expense basis. This was offset by the establishment of a short-term persistency provision and various smaller modelling changes. The assumption changes exclude the impact on new business sold in 2018, as this is valued on the new basis.

Notes to the financial statements

For the year ended 31 December 2018

3. Key exposures (continued)

3.2 Insurance and investment contracts (continued)

3.2.5 Investment contracts with discretionary participating features

Rm	SEPARATE AND CONSOLIDATED 2018	2017
Balance at beginning of the year	**164,822**	147,920
Inflows		
Premium income	**28,497**	24,074
Investment income (net of investment losses)	**(810)**	19,047
Outflows		
Claims and policy benefits	**(25,431)**	(22,565)
Operating expenses	**(1,004)**	(938)
Other charges and other transfers	**(294)**	(851)
Tax	**(35)**	(177)
Transfer to operating profit	**(1,087)**	(1,688)
Balance at end of the year	**164,658**	164,822

3.2.6 Reinsurance contracts

Rm	SEPARATE 2018	SEPARATE 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Reinsurers' share of policyholder liabilities	**179**	10	**628**	402
Outstanding claims	**345**	290	**405**	341
	524	300	**1,033**	743
Reinsurers' share of policyholder liabilities				
Balance at beginning of the year	**10**	376	**402**	699
Outward reinsurance premiums	**1,463**	1,311	**1,699**	1,532
Reinsurance recoveries	**(1,326)**	(1,210)	**(1,415)**	(1,275)
Increase/(decrease) in reinsurers' share of policyholder liabilities	**32**	(467)	**(58)**	(554)
Balance at end of the year	**179**	10	**628**	402

3.2.7 Contractual maturity analysis

Rm	SEPARATE 2018 Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
Insurance contracts	**7,790**	**18,482**	**97,596**	**307,152**
Investment contracts				
Unit-linked investment contracts and similar contracts	**259,997**	**–**	**–**	**–**
Investment contracts with discretionary participating features	**164,658**	**–**	**–**	**–**
Other investment contracts	**1,316**	**277**	**825**	**54**
Outstanding claims	**2,162**	**–**	**–**	**–**
	435,923	**18,759**	**98,421**	**307,206**

Rm	SEPARATE 2017 Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
Insurance contracts	7,752	18,473	95,434	310,902
Investment contracts				
Unit-linked investment contracts and similar contracts	254,264	–	–	–
Investment contracts with discretionary participating features	164,822	–	–	–
Other investment contracts	1,308	278	676	49
Outstanding claims	2,354	–	–	–
	430,500	**18,751**	**96,110**	**310,951**

Rm	CONSOLIDATED 2018 Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
Insurance contracts	**8,183**	**18,671**	**98,489**	**309,019**
Investment contracts				
Unit-linked investment contracts and similar contracts	**273,892**	**–**	**–**	**–**
Investment contracts with discretionary participating features	**164,658**	**–**	**–**	**–**
Other investment contracts	**1,316**	**277**	**825**	**54**
Outstanding claims	**2,162**	**–**	**–**	**–**
	450,211	**18,948**	**99,314**	**309,073**

Rm	CONSOLIDATED 2017 Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
Insurance contracts	7,881	18,544	95,733	311,509
Investment contracts				
Unit-linked investment contracts and similar contracts	272,728	–	–	–
Investment contracts with discretionary participating features	164,822	–	–	–
Other investment contracts	1,308	278	676	49
Outstanding claims	2,355	–	–	–
	449,094	**18,822**	**96,409**	**311,558**

The balance sheet is presented on the basis of when a liability is expected to be settled. Investment contracts typically cover a period of longer than one year and are not expected to be settled within one year. They are therefore, classified as non-current liabilities. Investment contracts are typically callable on demand, and therefore, from a risk management perspective, are presented in the shortest dated maturity category.

3.2.8 Insurance risk management

The Group assumes insurance risk by issuing insurance contracts, under which the Group agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) affecting the policyholder occurs. Insurance risk includes liability risks related to mortality, morbidity and longevity.

3. Key exposures (continued)

3.2 Insurance and investment contracts (continued)

3.2.8 Insurance risk management (continued)

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.

Management of insurance risks

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

Risk Type	Nature of risk	Risk management
Liability – Mortality	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 all mitigate the risk.
Liability – Morbidity	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.
Liability – Longevity	Possible increase in annuity costs due to policyholders living longer	For non-profit annuities, improvement to mortality is allowed for in pricing and valuation. Experience is closely monitored. For with-profit annuity business, the mortality risk is carried by policyholders and any mortality profit or loss is reflected in bonuses declared.
Liability – Mortality catastrophe	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.
Liability – Morbidity catastrophe	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.
Market – yield curve movement	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.
Market – asset price movement	Unfavourable movements in asset prices may result in asset values being less than guaranteed policy values, particularly on smooth bonus business	An investment guarantee reserve has been set up to mitigate the risk of poor market performance relative to investment guarantees.
Tax	Tax risk is the risk that the projected taxation basis for basic life assurance business is incorrect, resulting in contracts being incorrectly priced	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
	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	
Business	Policyholder behaviour: selection of more expensive options, or lapse and re-entry when premium rates are falling or termination of policy, which may cause the sale of assets at inopportune times	Experience is closely monitored, and policyholder behaviour is allowed for in pricing and valuation.
Business volume risk	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 OMLACSA in writing and maintaining policies.
Expenses	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 OMLACSA'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. Some products' structures include 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.
Lapse risk	Lapse risk arises where policies lapse before initial costs are recouped, or where lapse experience differs from pricing assumptions.	Experience is closely monitored. Premium rates can be reset at the end of the guarantee term. Product design also allows for surrender penalties on early surrender with certain products.
Mass lapse risk	Mass lapse risk is the risk that OMLACSA will not be able to continue operations after losing the majority of policyholders due to market panic or some other external event	OMLACSA holds capital to guard against a mass lapse scenario. This includes an allowance for operating expenses over a one-year period.

Many of the above risks are concentrated by line of business (for example, longevity). The Group, through diversification in the types of business it writes attempts to mitigate this concentration of risk.

Changes in key assumptions used to value insurance contracts would result in increases or decreases to the insurance contract liabilities recorded, with corresponding decreases or increases to profit. For with-profit annuity business the effect of a change in mortality assumption is mitigated by the offset to the bonus stabilisation reserve.

3. Key exposures (continued)

3.2 Insurance and investment contracts (continued)

3.2.8 Insurance risk management (continued)

The increase or decrease to insurance contract liabilities, and hence the impact on the income statement and equity, as at 31 December 2018 has been estimated as follows:

Sensitivity analysis

Rm	Change %	Increase/ (decrease) in liabilities 2018	Increase/ (decrease) in liabilities 2017
Assumption			
Mortality and morbidity rates – assurance	10	**5,101**	4,832
Mortality rates – annuities	(10)	**1,017**	998
Discontinuance rates	10	**190**	155
Expenses (maintenance)	10	**1,056**	1,000

The insurance contract liabilities recorded for South African business 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 impact on insurance contract liabilities or profit in 2018 (2017: no impact). There continues to be no impact in 2018 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.

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 assets movement fully or partially offsets the liability movement.

Guarantees and options

Many 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 applicable professional guidance notes 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 below.

Product category	Description of options and guarantees
Retail	
Death, disability, point and/or maturity guarantees	A closed block of unit-linked type and smoothed bonus business with an underlying minimum growth rate guarantee (4.28% per annum for life and endowment business and 4.78% pa for retirement annuity business), and smoothed bonus business with vested bonuses, applicable when calculating death, disability and maturity claims. A small block of smoothed bonus savings business in Mass and Foundation Cluster that has death guarantees of premiums (net of fees) plus 4.25% per annum investment return.
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.
Corporate	
Vested bonuses in respect of pre-retirement with- profits business	There is a significant 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 and are generated using a Hull-White model for interest rates and inflation, and a Merton jump diffusion model for 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 2018.

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	7.4%
2	7.6%
3	7.7%
4	7.8%
5	7.9%
10	8.6%
15	9.0%
20	9.1%
25	8.7%
30	8.2%

The following derivative contract prices have been calculated using 8192 simulations of the internal ESG model at the calibration date.

The table below provides the prices and implied volatilities of put options on the FTSE/JSE TOP40 index:

Maturity (years)	Strike	Price	Implied volatility
1	Spot	**7.3%**	**23.7%**
1	0.8 times spot	**2.0%**	**27.0%**
1	Forward	**8.7%**	**22.7%**
5	Spot	**10.5%**	**25.6%**
5	1.04^5 times spot	**18.3%**	**25.4%**
5	Forward	**18.5%**	**25.1%**
20	Spot	**4.2%**	**29.2%**
20	1.04^20 times spot	**16.2%**	**29.1%**
20	Forward	**23.7%**	**28.8%**

APN 110 also requires the disclosure of the following option prices:

Description of derivative contract*	Calculated price (% of spot price)
Five-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	**8.95**
20-year put option based on an interest rate with a strike equal to the present five-year forward rate as at maturity of the put option (stripped from the zero coupon yield curve), which pays out if the five-year interest rate at the time of maturity (in 20 years) is lower than this strike	**0.35**

* Note that the FTE/JSE TOP 40 referred to in this section is a capital return index, whereas the ALBI is a total return index.

3. Key exposures (continued)

3.2 Insurance and investment contracts (continued)

3.2.8 Insurance risk management (continued)

Significant accounting estimate – discount rate
The calculation of the Group's South African insurance contract liability is sensitive to the discount rate used to value the liabilities.

The reference rate was relatively volatile over 2018, ranging from 8.2% to 9.9% (2017: 8.5% to 9.7%). At 31 December 2018, the reference discount rate was 9.4% (2017: 9.0%). The volatile interest rate environment continued to have a negligible impact on the operating profit for the South African life insurance business during 2018, given the continuance of the hedging programme and discretionary margins put in place to mitigate these impacts.

3.3 Financial instruments

The key focus of the Group's financial risk management is to ensure that proceeds from financial assets are sufficient to fund the obligations that arise from the insurance operations. The Group's financial assets and liabilities are categorised and measured as follows:

Financial assets	Measurement
Mandatorily fair value through profit or loss (FVTPL) • Investment and securities • Derivative assets	The classification of financial assets under IFRS 9 is based on whether the financial assets are equity instruments, debt instruments held or derivative assets. Equity instruments and derivative assets are mandatorily categorised as financial assets at FVTPL. 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. 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. These assets are initially and subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets designated as fair value through profit or loss • Loans and advances • Investment and securities • Other assets Financial assets that the Group has elected to designate as fair value through profit or loss where the treatment either eliminates or significantly reduces a measurement or recognition inconsistency or accounting mismatch that would otherwise arise when using a different measurement basis (e.g. financial assets supporting insurance contract liabilities) or are managed, evaluated and reported using a fair value basis (e.g. financial assets supporting shareholders' funds)	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 whose 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. All debt instrument financial assets that were not classified as measured at amortised cost or FVOCI are measured at FVTPL.
Financial assets at amortised cost • Loans and advances • Trade, other receivables and other financial assets • Cash and cash equivalents • Collateral held • Investment and securities	Initially measured at fair value. Subsequently measured at amortised cost using the effective interest method with interest recognised in interest income, less any impairment losses which are recognised in profit or loss and reported in loss on loans and advances. 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.

Financial liabilities	Measurement
Mandatorily fair value through profit or loss • Investment and securities • Derivative liabilities	Measured at fair value with resulting fair value gain or loss adjustments recognised in profit or loss and reported in investment return, as appropriate. Changes in fair value in respect of derivatives are recognised in profit or loss and reported in investment return, as appropriate.
Financial liabilities designated as fair value through profit or loss • Investment contracts • Third-party interests in consolidated funds • Borrowed funds • Investment and securities Financial liabilities that the Group has elected to designate as fair value through profit or loss where the treatment either eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise when using a different measurement basis or are managed, evaluated and reported using a fair value basis.	Interest paid while holding these financial assets is recognised in profit or loss and reported in investment return, as appropriate
Financial liabilities at amortised cost • Borrowed funds • Other liabilities • Collateral owing • Repurchase agreements	Initially measured at fair value. Subsequently measured at amortised cost using the effective interest method with interest recognised in profit or loss and reported as finance costs.

Initial recognition

All purchases and sales of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset.

Derecognition

The Group derecognises a financial asset when and only when:

- The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by the Group; or
- it transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- it transfers the financial asset and neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control.

A financial liability is derecognised when, and only when the liability is extinguished. That is when the obligation specified in the contract is discharged, assigned, cancelled or has expired. The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration received, including any non-cash assets transferred or liabilities assumed, is recognised in profit and loss.

Impairments of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model and results in credit losses being recognised earlier than under IAS 39. The new impairment model applies to financial assets measured at amortised cost (for example mandatory reserve deposits with central banks, loans and advances, trade and other receivables, cash and cash equivalents, and corporate debt securities held by the Group) and corporate debt investments measured at FVOCI, but not to investments in equity instruments. As a consequence of the new standard, the Group has revised its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's total equity is disclosed in 10.1.

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD). Of equal importance is sound correlation between these parameters and forward-looking economic conditions.

3. Key exposures (continued)

3.3 Financial instruments (continued)

Designated at fair value through profit and loss

Measurement changes in the carrying values of investment and insurance contract policyholder liabilities are primarily accounted for in profit or loss. To ensure consistency with this treatment, the Group and Company took an accounting policy decision to designate debt instrument policyholder assets (government bonds, corporate bonds, money market investments, cash and cash equivalents, etc.) that should be measured at amortised cost or fair value through other comprehensive income, as financial assets at fair value through profit or loss when allowed. The designation is only applied when these instruments are not classified as mandatorily at fair value through profit or loss. This policy choice should result in reduced accounting mismatches between financial assets and policyholder liabilities.

3.3.1 Financial assets and liabilities

At 31 December 2018

	SEPARATE 2018			
Rm	**Fair value through profit or loss**	**Amortised cost**	**Non-financial assets**	**Total**
Assets				
Reinsurers' share of policyholder liabilities	**–**	**–**	**524**	**524**
Loans and advances	**–**	**188**	**–**	**188**
Investments and securities	**625,040**	**710**	**–**	**625,750**
Trade, other receivables and other assets	**–**	**1,856**	**7,734**	**9,590**
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	**627,815**	**12,186**	**8,258**	**648,259**
Other non-financial assets	**–**	**–**	**8,655**	**8,655**
Total assets	**627,815**	**12,186**	**16,913**	**656,914**

	SEPARATE 2017			
Rm	Fair value through profit or loss	Amortised cost	Non-financial assets	Total
Assets				
Intangible assets	–	–	1,122	1,122
Investment property	–	–	1,196	1,196
Owner-occupied property	–	–	2,379	2,379
Equipment	–	–	381	381
Deferred tax assets	–	–	21	21
Reinsurance contracts	–	–	300	300
Post-employment benefits	–	–	664	664
Deferred acquisition costs	–	–	1,202	1,202
Loans and advances	–	209	–	209
Investment and securities	622,575	–	–	622,575
Derivative assets	3,662	–	–	3,662
Amounts due by Group companies	–	6,019	–	6,019
Other assets	–	11,213	–	11,213
Cash and cash equivalents	–	12,381	–	12,381
Non-current assets held for sale	–	–	1,220	1,220
Total assets	**626,237**	**29,822**	**8,485**	**664,544**

At 31 December 2018

Rm	SEPARATE 2018			
	Fair value through profit or loss	**Amortised cost**	**Non-financial liabilities**	**Total**
Liabilities				
Insurance contracts	–	–	135,425	135,425
Investment contracts with discretionary participating features	–	–	164,658	164,658
Investment contract liabilities	260,186	1,064	–	261,250
Borrowed funds	6,048	–	–	6,048
Amounts due to Group companies	–	1,271	–	1,271
Trade, other payables and other liabilities	–	5,465	7,253	12,718
Repurchase agreements	–	6,002	–	6,002
Collateral owing	–	2,719	–	2,719
Derivative liabilities	5,342	–	–	5,342
Total liabilities that include financial instruments	271,576	16 521	307 336	595 433
Total other non-financial liabilities	–	–	5,100	5,100
Total liabilities	**271,576**	**16,521**	**312,436**	**600,533**

Rm	SEPARATE 2017			
	Fair value through profit or loss	Amortised cost	Non-financial assets	Total
Liabilities				
Insurance contracts	–	–	148,942	148,942
Investment contracts without discretionary participating features	255,470	–	–	255,470
Investment contracts with discretionary participating features	–	–	164,822	164,822
Borrowed funds	5,995	–	–	5,995
Share-based payment liabilities	–	–	576	576
Deferred revenue	–	–	151	151
Deferred tax liabilities	–	–	5,511	5,511
Derivative liabilities	5,001	–	–	5,001
Amounts due to Group companies	–	1,100	–	1,100
Provisions	–	–	1,266	1,266
Current tax payable	–	–	1,169	1,169
Collateral owing	–	8,094	–	8,094
Repurchase agreements	–	5,302	–	5,302
Other liabilities	–	8,864	1,362	10,226
Total liabilities	**266,466**	**23,360**	**323,799**	**613,625**

Notes to the financial statements

For the year ended 31 December 2018

3. Key exposures (continued)

3.3 Financial instruments (continued)

3.3.1 Financial assets and liabilities (continued)

At 31 December 2018

Rm	CONSOLIDATED 2018			
	Fair value through profit or loss	Amortised cost	Non-financial assets	Total
Assets				
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	655,200	710	–	655 910
Trade, other receivables and other assets	–	2,978	10,917	13,895
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	657,995	21,836	39,138	718,969
Other non-financial assets	–	–	38,280	38,280
Total assets	**657,995**	**21,836**	**77,418**	**757,249**

Rm	CONSOLIDATED 2017			
	Fair value through profit or loss	Amortised cost	Non-financial assets	Total
Assets				
Intangible assets	–	–	1,373	1,373
Investment property	–	–	24,229	24,229
Owner-occupied property	–	–	2,379	2,379
Equipment	–	–	392	392
Deferred tax assets	–	–	419	419
Reinsurance contracts	–	–	743	743
Post-employment benefits	–	–	664	664
Deferred acquisition costs	–	–	2,345	2,345
Loans and advances	–	209	–	209
Investment and securities	688,690	–	–	688,690
Investments in associates	–	–	2,222	2,222
Derivative assets	3,662	–	–	3,662
Amounts due by Group companies	–	4,550	–	4,550
Other assets	–	14,425	–	14,425
Cash and cash equivalents	–	20,880	–	20,880
Non-current assets held for sale	–	–	1,313	1,313
Total assets	**692,352**	**40,064**	**36,079**	**768,495**

At 31 December 2018

Rm	CONSOLIDATED 2018 Fair value through profit or loss	Amortised cost	Non-financial assets	Total
Liabilities				
Insurance contracts	**–**	**–**	**136,519**	**136,519**
Investment contracts with discretionary participating features	**–**	**–**	**164,658**	**164,658**
Investment contracts without discretionary participating features	**274,081**	**1,064**	**–**	**275,145**
Borrowed funds	**6,048**	**10,989**	**–**	**17,037**
Third-party interest in consolidated funds	**76,374**	**–**	**–**	**76,374**
Trade, other payables and other liabilities	**–**	**8,081**	**6,457**	**14,538**
Repurchase agreements	**–**	**6,002**	**–**	**6,002**
Amounts due to Group companies	**–**	**3,151**	**–**	**3,151**
Collateral owing	**–**	**2,719**	**–**	**2,719**
Derivative liabilities	**5,342**	**–**	**–**	**5,342**
Total liabilities that include financial instruments	**361,845**	**32,006**	**307,634**	**701,485**
Total other non-financial liabilities	**–**	**–**	**6,875**	**6,875**
Total liabilities	**361,845**	**32,006**	**314,509**	**708,360**

Rm	CONSOLIDATED 2017 Fair value through profit or loss	Amortised cost	Non-financial assets	Total
Liabilities				
Insurance contracts	–	–	149,987	149,987
Investment contracts without discretionary participating features	273,934	–	–	273,934
Investment contracts with discretionary participating features	–	–	164,822	164,822
Third-party interest in consolidated funds	76,763	–	–	76,763
Borrowed funds	5,995	5,494	–	11,489
Share-based payment liabilities	–	–	576	576
Deferred revenue	–	–	1,070	1,070
Deferred tax liabilities	–	–	7,079	7,079
Derivative liabilities	5,001	–	–	5,001
Amounts due to Group companies	–	2,796	–	2,796
Provisions	–	–	1,299	1,299
Current tax payable	–	–	1,183	1,183
Collateral owing	–	8,094	–	8,094
Repurchase agreements	–	5,302	–	5,302
Other liabilities	–	13,527	1,545	15,072
Total liabilities	**361,693**	**35,213**	**327,561**	**724,467**

3. Key exposures (continued)

3.3 Financial instruments (continued)

3.3.2 Composition of gains and losses on financial instruments

At 31 December 2018

Rm	Fair value through profit or loss	Amortised cost	Non-financial assets and liabilities	Total
SEPARATE				
Fee and commission income	**4,566**	–	**311**	**4,877**
Credit impairment charges	–	**(6)**	–	**(6)**
Finance costs	**(528)**	**(568)**	–	**(1,096)**
Fee and commission expenses, and other acquisition costs	**(396)**	–	**(6,392)**	**(6,788)**
Financial instruments expense	**(924)**	**(574)**	**(6,392)**	**(7,890)**
CONSOLIDATED				
Fee and commission income	**6,474**	–	**601**	**7,075**
Credit impairment charges	–	**(14)**	–	**(14)**
Finance costs	**(528)**	**(1,500)**	–	**(2,028)**
Fee and commission expenses, and other acquisition costs	**(457)**	–	**(6,508)**	**(6,965)**
Financial instruments expense	**(985)**	**(1,514)**	**(6,508)**	**(9,007)**

Fee and commission income is included in the total fee, commission and other income as presented in the income statement.

3.3.3 Investment return

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Interest and similar income				
Loans and advances (Policyholder loans)	**10**	7	**10**	7
Investment and securities	**20,618**	18,167	**19,922**	18,729
Cash and cash equivalents	**426**	575	**1,497**	1,685
Collateral held	**521**	1,799	**521**	1,799
	21,575	20,548	**21,950**	22,220
Dividend income				
Investment and securities				
Equity securities	**6,811**	4,690	**8,473**	5,707
Pooled investments	**1,775**	661	**2,050**	798
	8,586	5,351	**10,523**	6,505
Rental income from investment property	**159**	241	**2,610**	2,146
Fair value gains/(losses)				
Investment property	**(63)**	51	**712**	185
Investment and securities*	**(25,663)**	39,829	**(26,309)**	50,496
Derivative instruments	**(1,710)**	2,090	**(1,710)**	2,090
	(27,436)	41,970	**(27,307)**	52,771
Foreign currency gains and losses	**–**	–	**33**	–
Total investment income recognised in income statement	**2,884**	68,110	**7,809**	83,642

The fair value gains and losses shown above are analysed according to their IFRS 9 categorisations as follows:

Rm	SEPARATE 2018	SEPARATE 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Financial assets at fair value through profit or loss	**(27,373)**		**(28,019)**	
Non-financial asset at fair value	**(63)**		**712**	
	(27,436)		**(27,307)**	

*Included in gains recognised in income for the Group and Company are transaction costs amounting to R127 million (2017: R130 million).

Interest in investments and securities relates to financial assets that are fair value through profit and loss, mandatory or designated financial instruments.

The remainder of interest and similar income is earned on financial assets at amortised cost.

Dividend income on investments and securities is earned on financial assets mandatorily at fair value through profit and loss.

3.3.4 Finance costs

Rm	SEPARATE 2018	SEPARATE 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Interest payable				
Borrowed funds – subordinated debt	**577**	610	**577**	610
Collateral held	**522**	998	**522**	998
Other interest expense	**18**	75	**950**	678
Fair value gains and losses on borrowed funds				
Borrowed funds	**(49)**	93	**(49)**	93
Derivative instruments used as economic hedges	**28**	(80)	**28**	(80)
	1,096	1,696	**2,028**	2,299
Total interest expense included above for liabilities at fair value through profit and loss	**577**	610	**577**	610

3. Key exposures (continued)

3.3 Financial instruments (continued)

3.3.5 Investments and securities

The Group invests either for its own proprietary behalf (shareholder funds) or on behalf of third parties (either policyholder funds or pooled investments). Investment risks on unit linked assets are borne by policyholders. Investments and securities are regarded as current and non-current based on the intention with which the financial assets are held, as well as their contractual maturity profile.

Analysis of investments

		SEPARATE		CONSOLIDATED	
Rm	Notes	**2018**	2017	**2018**	2017
Investments in Group undertakings					
Nedbank Group Ltd		**–**	20,574	**–**	20,860
Associates, joint ventures and subsidiaries	8.1	**54,058**	25,654		–
Capital advances to Group undertakings	8.1	**4,607**	8,819	**4,607**	8,819
Old Mutual plc		**–**	2,553	**–**	5,018
Old Mutual Ltd		**2,206**	–	**4,039**	–
		60,871	57,600	**8,646**	34,697
Other financial assets					
Government securities		**66,290**	62,502	**81,478**	74,729
Equity securities		**113,257**	115,541	**238,248**	260,241
Other debt securities		**85,372**	85,412	**87,030**	85,531
Pooled investments		**257,746**	258,230	**173,171**	171,545
Short-term funds		**42,214**	43,290	**67,337**	61,947
		564,879	564,975	**647,264**	653,993
		625,750	622,575	**655,910**	688,690

The equity interest in Nedbank Ltd increased in the current year to an equity accounted investment in associate. As a result the investment in Nedbank is no longer reflected separately but included in the "Associates, joint ventures and subsidiaries". A list of the Company's investments in associates, joint ventures and subsidiaries can be found in note 8.1.

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 R2,677 million (2017: R8,066 million).

Other debt securities include credit linked notes of R914 million (2017: R2,183 million). Credit linked notes are made up of a deposit and a credit default swap. OMLACSA has pledged government securities and negotiable certificates of deposit amounting to R6,235 million (2017: R5,355 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 R6,001 million (2017: R5,302 million).

As part of the reverse repurchase agreement, OMLACSA has received securities as collateral that are allowed to be sold or repledged in the absence of default. The fair value of these securities at the reporting date amounts to Rnil (2017: R1,618 million) of which Rnil (2017: Rnil) has been sold or repledged.

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.

The split of investments and securities between current and non-current is shown in note 3.3.7. A register of investments is available for inspection at the Company's registered office.

Debt instruments and similar securities

The table below analyses end of the year values of debt and similar securities according to their credit rating (Standard and Poors or equivalent) by investment grade.

	SEPARATE 2018			
Rm	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	**2,863**	**7,901**	**914**	**11,678**
	66,290	**85,372**	**42,214**	**193,876**

	SEPARATE 2017			
Rm	Government securities	Other debt securities	Short-term funds	Total
Investment grade (AAA to BBB)	59,404	42,717	36,934	139,055
Not rated	–	33,643	4,164	37,807
Sub-investment grade	3,098	9,052	2,192	14,342
	62,502	85,412	43,290	191,204

	CONSOLIDATED 2018			
Rm	Government securities	Other debt securities	Short-term funds	Total
Investment grade (AAA to BBB)	**63,427**	**43,921**	**35,148**	**142,496**
Not rated	**15,188**	**34,513**	**30,646**	**80,347**
Sub-investment grade	**2,863**	**8,596**	**1,543**	**13,002**
	81,478	**87,030**	**67,337**	**235,845**

	CONSOLIDATED 2017			
Rm	Government securities	Other debt securities	Short-term funds	Total
Investment grade (AAA to BBB)	59,404	42,827	37,843	140,074
Not rated	12,227	33,653	21,621	67,501
Sub-investment grade	3,098	9,051	2,483	14,632
	74,729	85,531	61,947	222,207

The Group's cash balances are mainly held with Nedbank Ltd, which has a credit rating of BB (2017: BBB).

As the instruments above are all measured at fair value, they are not included in the scope of expected credit loss.

Collateral obtained

Below is an analysis of collateral taken as security by the Group:

	SEPARATE AND CONSOLIDATED	
Rm	**2018**	2017
Bonds	**–**	741
Cash	**2,677**	8,066
Total collateral	**2,677**	8,807

3. Key exposures (continued)

3.3 Financial instruments (continued)

3.3.6 Borrowed funds

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Subordinated debt securities				
Fixed and variable rate unsecured subordinated callable notes	**6,048**	5,995	**6,048**	5,995
Other debt securities in issue at book value				
Term loans and other loans	**–**	–	**10,989**	5,494
Total borrowed funds	**6,048**	5,995	**17,037**	11,489

		SEPARATE AND CONSOLIDATED	
Rm		**2018**	2017
Subordinated debt securities	**Maturity Date**	**Carrying Amount**	
R700 million at three-month JIBAR +2.20%	November 2024	**706**	703
R300 million at 9.26%	November 2024	**305**	299
R537 million at three-month JIBAR +2.30%	March 2025	**542**	538
R425 million at 9.76%	March 2025	**429**	425
R409 million at 10.32%	March 2027	**411**	407
R1,150 million at 10.96%	March 2030	**1,146**	1,123
R1,288 million at three-month JIBAR +2.25%	September 2025	**1,299**	1,303
R568 million at 10.90%	September 2027	**579**	577
R623 million at 11.35%	September 2030	**631**	620
Total fixed and variable unsecured subordinated		**6,048**	5,995

The unsecured subordinated callable notes are carried at fair value.

The subordinated notes rank behind the claims from the Company's policyholders and other unsecured unsubordinated creditors. The notes are listed on the Bond Exchange of South Africa (BESA). All subordinated debt securities have a first call date five years before the maturity date. Capital is redeemed on maturity or call date. Refer to the Liquidity Risk section in note 3.3.7 for future cash flow requirements on borrowed funds.

The Company is authorised to issue subordinated callable notes up to a par value of R10 billion.

Some of the Term loans and other loans have been secured by way of mortgage of properties held in the Group to the value of R7 billion

		CONSOLIDATED	
Rm		**2018**	2017
Term loans and other loans	**Maturity Date**	**Carrying Amount**	
Floating rate term loans			
R500 million drawn of a R500 million facility at three-month JIBAR + 1.35%	March 2019	**500**	492
R500 million drawn of a R500 million facility at three-month JIBAR + 1.45%	April 2021	**509**	496
R500 million drawn of a R500 million facility at three-month JIBAR + 1.35%	March 2019	**500**	499
R1 billion drawn of a R1 billion facility at three-month JIBAR + 1.35%	March 2019	**1,000**	986
USD70 million drawn of a USD100 million facility at three-month LIBOR + 3.06%	December 2020	**2,276**	–
EUR16 million drawn of a EUR16 million facility at three-month LIBOR + 3.06%	May 2021	**1**	–
EUR20 million drawn of a EUR20 million facility at three-month LIBOR + 3.06%	July 2021	**1**	–
EUR3 million drawn of a EUR3 million facility at three-month LIBOR + 3.06%	May 2021	**593**	–
EUR28,1 million drawn of a EUR28,1 million facility at three-month LIBOR + 3.06%	June 2021	**2**	–
EUR15,2 million drawn of a EUR15,2 million facility at three-month LIBOR + 3.06%	July 2021	**1**	–
EUR30 million drawn of EUR30 million facility at three-month SOFIBOR plus 3.75%	July 2023	**506**	–
EUR68 million drawn of EUR68 million facility at three-month EURIBOR + 3.3%	October 2037	**1,120**	–
GBP5 million at three-month LIBOR + 2.6%	July 2017	**95**	–
GBP4 million at three-month LIBOR + 2.4%	February 2018	**77**	–
GBP5 million at three-month LIBOR + 2.6%	July 2017	**95**	–
GBP4 million at three-month LIBOR + 2.4%	February 2018	**77**	–
GBP5 million at three-month LIBOR + 2.6%	July 2017	**95**	–
GBP4 million at three-month LIBOR + 2.4%	February 2018	**77**	–
GBP5 million at three-month LIBOR + 2.6%	July 2017	**95**	–
GBP4 million at three-month LIBOR + 2.4%	February 2018	**77**	–
GBP8.4 million at three-month LIBOR + 2.4%	December 2023	**154**	–
GBP800 thousand at three-month LIBOR + 2.6%	March 2021	**15**	–
USD65 million at three-month LIBOR plus 2.80%	December 2020	**–**	869
Fixed rate term loans			
R500 million drawn at 7.45%	April 2021	**509**	497
R200 million drawn at 4.2922%	October 2022	**205**	171
R400 million drawn at 9.25%	September 2019	**402**	365
R300 million drawn at 8.10%	April 2020	**305**	281
R300 million drawn at 8.46%	April 2021	**306**	280
R300 million drawn at 8.70%	April 2022	**306**	279
R300 million drawn at 8.87%	April 2023	**306**	279
EUR68 million drawn of EUR68 million facility at 3.4%	October 2023	**784**	–
Total fixed and variable rate term loans and other loans		**10,989**	5,494

3.3.7 Financial risk management

Financial risk management strategy and policy

The Group manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Group's ALM framework is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to policyholders, as well as seeking to maximise the return on shareholders' funds, all within an acceptable risk framework. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The insurance contracts retain substantial exposures to the extent that the benefits payable to policyholders are not linked to the performance of the underlying assets and/or policyholders enjoy options embedded in their contracts which are not matched by identical options in the underlying investments. These exposures include duration risk, credit risk and market risk. The notes below explain how financial risks are managed using the categories utilised in the ALM framework. Note 3.2.8 explains in more detail how insurance risk is managed.

3. Key exposures (continued)

3.3 Financial instruments (continued)

3.3.7 Financial risk management (continued)

The Group utilises derivative instruments to enhance the risk-return profile of policyholder and shareholders' funds. The Group undertakes transactions involving derivative financial instruments with other financial institutions, and has established limits commensurate with the credit quality of the institutions with which it deals, and manages the resulting exposures such that a default by any individual counterparty is unlikely to have a materially adverse impact on the Company.

Capital adequacy

Capital is actively managed to ensure that the Group is properly capitalised and funded at all times, having regard to its regulatory needs, prudent management and the needs of all stakeholders. The Group has a business planning process that runs on an annual cycle with regular updates to projections. It is through this process, which includes risk and sensitivity analyses of forecasts, and the operations of the Capital Management Committee (CMC) that the Group's capital is managed.

SAM is a risk-based prudential supervisory framework which seeks to improve policyholder protection and contribute to financial stability through aligning insurers' regulatory capital requirements with the underlying risks. It also strengthens the regulatory requirements in respect of governance, risk management and internal controls for insurers and aligns with international standards.

Under SAM, each insurance Company must maintain own funds to cover as a minimum their capital requirements. In practice, companies will hold a buffer above this minimum requirement. Own funds consists primarily of the regulatory value of assets in excess of liabilities plus the value of any subordinated liabilities. 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 CMC is a sub-committee of the Executive Committee, established to set an appropriate framework and guidelines to ensure the appropriate management of capital, to allocate capital to the various businesses, and to monitor return on allocated capital for each business relative to the agreed hurdle. The CMC comprises the Executive Directors together with certain executives and senior managers. Meetings are held as regularly as circumstances require and in any event not less than half-yearly and approve requests for capital that are outside the business plans.

The insurance operations within the Group met the minimum capital requirements as set by the regulator for each entity throughout the year.

Specifically, the Group has adopted the following capital management policies:

- Maintenance, as a minimum, of capital sufficient to meet the statutory requirements and such additional capital as management believes is necessary to ensure that obligations to policyholders can be met on a timely basis.
- Maintenance of an appropriate level of liquidity at all times. The Group further ensures that it can meet its expected capital and financing needs at all times, having regard to business plans, forecasts and any strategic initiatives.

Sensitivities

The Group has both qualitative and quantitative risk management procedures to monitor the key risks and sensitivities of the business. This is achieved through stress tests, scenario analyses and risk assessments. From an understanding of the principal risks, appropriate risk limits and controls are defined.

The risk types affecting the surplus capital of the Group are market risk, credit risk, liquidity risk, underwriting risk, business risk and operational risk.

For further details of the management of specific financial risks, refer to the relevant sections of this note.

Credit risk

The credit risk exposure of the Group is discussed in note 3.1.

SEPARATE 2018

Rm	Total Carrying Amount	Financial Services and Real Estate	Government	Other
Loans and advances	188	188	–	–
Investment and securities	625,750	449,199	66,290	110,261
Government and government guaranteed securities	66,290	–	66,290	–
Preference shares, other debt securities and debentures	85,372	84,854	–	518
Short-term funds and securities treated as investments	42,214	42,212	–	2
Other investments and securities	431,874	322,133	–	109,741
Reinsurers' share of policyholder liabilities	524	524	–	–
Trade, other receivables and other assets	9,590	8,821	–	769
Cash and cash equivalents	6,216	5,642	–	574
Derivative financial instruments–assets	2,775	2,775	–	–

Other includes the following sectors *inter alia* Utilities, Telecommunications, Technology, Industrial Goods and Services, Basic Resources.

CONSOLIDATED 2018

Rm	Total Carrying Amount	Financial Services and Real Estate	Government	Other	Consoli-dation of Funds
Loans and advances	188	188	–	–	–
Investment and securities	655,910	438,575	66,290	110,272	40,773
Government and government guaranteed securities	81,478	–	66,290	–	15,188
Preference shares, other debt securities and debentures	86,527	85,537	–	26	964
Short-term funds and securities treated as investments	67,337	52,665	–	2	14,670
Other investments and securities	420,568	300,373	–	110,244	9,951
Reinsurers' share of policyholder liabilities	1,033	1,033	–	–	–
Trade, other receivables and other assets	13,895	6,562	–	1,804	5,529
Cash and cash equivalents	16,128	7,339	–	1,880	6,909
Derivative financial instruments – assets	2,795	2,774	–	–	21

3. Key exposures (continued)

3.3 Financial instruments (continued)

3.3.7 Financial risk management (continued)

Exposure to credit risk: Instruments within the IFRS 9 impairment scope

At 31 December 2018

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

The following table sets out the maximum exposure on financial instruments within the scope of IFRS 9's impairment model to credit risk.

Credit exposure per class of financial instruments

Rm	Maximum exposure to credit risk	Recognised loss allowance
Other loans	188	–
Loans and Advances at amortised cost	188	–
Investments and securities	710	–
Other assets	1,856	(34)
Cash and cash equivalents	6,216	–

Market risk

Market risk is the potential impact of unfavourable changes in foreign exchange rates, interest rates, prices and market volatilities on its financial position, financial performance and cash flows. Market risk arises from changes in the fair value of investments.

The stock selection and investment analysis process is supported by a well-developed research function. For fixed annuities, market risks are managed by investing in fixed interest securities with a duration closely corresponding to those liabilities. Market risks on policies where the terms are guaranteed in advance and the investment risk is carried by the shareholders, principally reside in the South African guaranteed non-profit annuity book, which is predominantly matched with suitably dated interest-bearing assets. Other non-profit policies are also suitably matched through appropriate investment mandates. Market risks on with-profit policies, where investment risk is shared, are minimised by appropriate bonus declaration practices and by having suitable mandates for asset allocation that reflect the level of guarantees.

Equity price risk and interest rate risk (on the value of the securities) are modelled by the Group's risk-based capital practices.

Refer to the note on Other unaudited information for more information on the embedded value sensitivities.

Currency risk

The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position, financial performance and cash flows.

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 associate the Chinese Yuan Renminbi as their functional currencies, whereas the functional currency of the Company is Rand.

The table below summaries the Group's exposure to foreign currency exchange rate risk.

Rm	SEPARATE 2018	SEPARATE 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Total assets				
ZAR	**533,940**	548,591	**628,126**	652,757
USD	**108,824**	103,475	**109,269**	103,260
GBP	**8,708**	7,447	**9,607**	7,447
EUR	**2,469**	2,413	**7,623**	2,413
Other	**2,973**	2,618	**2,624**	2,618
	656,914	664,544	**757,249**	768,495
Total liabilities				
ZAR	**557,502**	577,274	**661,287**	688,452
USD	**29,032**	35,969	**29,424**	35,825
GBP	**7,995**	116	**8,868**	116
EUR	**3,225**	2	**6,002**	2
Other	**2,779**	264	**2,779**	72
	600,533	613,625	**708,360**	724,467

Currency translation risk

SEPARATE 2018

	Impact on profit before tax			Impact on equity	
Rm	Change in exchange rate	Strengthening	Weakening	Strengthening	Weakening
GBP	**10%**	**(1,046)**	**871**	**(1,052)**	**877**
USD	**10%**	**(10,891)**	**10,891**	**(10,930)**	**10,930**

SEPARATE 2017

	Impact on profit before tax			Impact on equity	
Rm	Change in exchange rate	Strengthening	Weakening	Strengthening	Weakening
GBP	10%	(745)	745	(739)	745
USD	10%	(10,362)	10,362	(10,381)	10,381

CONSOLIDATED 2018

	Impact on profit before tax			Impact on equity	
Rm	Change in exchange rate	Strengthening	Weakening	Strengthening	Weakening
GBP	**10%**	**(1,945)**	**961**	**(1,945)**	**961**
USD	**10%**	**(10,927)**	**10,927**	**10,927**	**10,927**

CONSOLIDATED 2017

	Impact on profit before tax			Impact on equity	
Rm	Change in exchange rate	Strengthening	Weakening	Strengthening	Weakening
GBP	10%	(745)	745	(745)	745
USD	10%	(10,326)	(10,326)	(10,326)	10,326

3. Key exposures (continued)

3.3 Financial instruments (continued)

3.3.7 Financial risk management (continued)

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. The interest rate risk of such liabilities is managed by investing in assets of similar duration. For 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 partially hedge this exposure to interest rate movements. These hedges are economic hedges.

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. 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.

Price risk

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

In terms of IAS 39, impairment losses were calculated based on the incurred loss model. The incurred loss model considered current and historical information to determine whether a loss has been incurred and to measure the impairment loss. In comparison, IFRS 9 places emphasis on the use of forward-looking information. The expected credit loss model should result in impairment losses being recognised earlier when compared to the incurred loss model.

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.

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.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Group's Executive Committee is responsible for the effective management of liquidity risk by putting the appropriate structure and processes in place. The Risk Committee of the Board is responsible for reviewing the adequacy and effectiveness thereof.

The table below is a maturity analysis of liability cash flows based on gross, undiscounted cash flows for financial liabilities. The maturity analysis of policyholder liabilities can be found in note 3.2.7.

	SEPARATE 2018			
Rm	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 and 5 years**	**Over 5 years**
Borrowed funds	**230**	**1,377**	**4,626**	**1,907**
Derivative liabilities	**36**	**157**	**1,384**	**8,502**
Amounts due to Group companies	**1,271**	**–**	**––**	**–**
Collateral owing	**2,719**	**–**	**–**	**–**
Repurchase agreements	**4,458**	**1,544**	**–**	**–**
	8,714	**3,078**	**6,010**	**10,409**

	SEPARATE 2017			
Rm	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
Borrowed funds	231	377	6,927	835
Derivative liabilities	135	357	1,890	5,842
Amounts due to Group companies	1,100	–	–	–
Collateral owing	8,094	–	–	–
Repurchase agreements	5,302	–	–	–
	14,862	734	8,817	6,677

	CONSOLIDATED 2018			
Rm	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 and 5 years**	**Over 5 years**
Borrowed funds	**3,769**	**2,290**	**13,752**	**1,907**
Derivative liabilities	**36**	**157**	**1,384**	**8,502**
Amounts due to Group companies	**3,151**	**–**	**–**	**–**
Collateral owing	**2,719**	**–**	**–**	**–**
Repurchase agreements	**4,458**	**1,544**	**–**	**–**
	14,133	**3,991**	**15,136**	**10,409**

	CONSOLIDATED 2017			
Rm	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
Borrowed funds	283	601	7,273	835
Derivative liabilities	135	357	1,890	5,842
Amounts due to Group companies	2,796	–	–	–
Collateral owing	8,094	–	–	–
Repurchase agreements	5,302	–	–	–
	16,610	958	9,163	6,677

3. Key exposures (continued)

3.3 Financial instruments (continued)

3.3.7 Financial risk management (continued)

Financial instruments that are subject to master netting agreements

The Group and Company offsets financial assets and liabilities in the statements of financial position when it has a legal enforceable right to do so and intends to settle on a net basis or at a simultaneous time. Certain master netting agreements do not provide the Group with the current legally enforceable right to offset the instruments. The majority of these transactions are governed by the principles of ISDA or similar type of agreements. These agreements aim to protect the parties in the case of default.

The potential effect of netting offset arrangements after taking into consideration these types of agreements is:

- Derivative financial instruments – assets (Consolidated): Gross amounts of recognised financial instruments in the statement of financial position amounted to R2,795 million (2017: R3,662 million).
- Derivative financial instruments – liabilities (Consolidated): Gross amounts of recognised financial instruments in the statement of financial position amounted to R5,342 million (2017: R5,001 million).
- Derivative financial instruments – assets (Separate): Gross amounts of recognised financial instruments in the statement of financial position amounted to R2,775 million (2017: R3,662 million).
- Derivative financial instruments – liabilities (Separate): Gross amounts of recognised financial instruments in the statement of financial position amounted to R5,342 million (2017: R5,001 million).
- Cash and bond collateral amounts not offset against derivative assets and liabilities for Separate and Consolidated in the statement of financial position are R1,848 million (2017: R976 million).

The table below analyses assets and liabilities into current and non-current categories based on the remaining period at reporting date to settlement date, or if not subject to fixed terms of repayment, the intention as regards settlement period at the reporting date.

	SEPARATE 2018		
Rm	**Current assets**	**Non-current assets**	**Total**
Assets			
Intangible assets	–	1,794	1,794
Investment property	–	1,123	1,123
Property, plant and equipment	–	4,445	4,445
Deferred tax asset	–	58	58
Reinsurers share of long-term business policyholder liabilities	345	179	524
Deferred acquisition costs	350	885	1,235
Derivative financial instruments (assets)	75	2,700	2,775
Loans and advances	–	188	188
Investments and securities	36,451	589,299	625,750
Other assets	9,590	–	9,590
Amounts due by Group companies	3,216	–	3,216
Cash and cash equivalents	6,216	–	6,216
Total assets	**56,243**	**600,671**	**656,914**

Rm	SEPARATE 2018 Current liabilities	Non-current liabilities	Total
Liabilities			
Insurance contracts	**(2,162)**	**(133,263)**	**(135,425)**
Unit-linked investment contracts and similar contracts	**–**	**(261,250)**	**(261,250)**
Discretionary participating investment contracts	**–**	**(164,658)**	**(164,658)**
Borrowed funds	**–**	**(6,048)**	**(6,048)**
Post employment benefits obligation	**(50)**	**(1,338)**	**(1,388)**
Share-based payment liabilities	**(153)**	**(232)**	**(385)**
Deferred revenue on investment contracts	**–**	**(66)**	**(66)**
Deferred tax liability	**–**	**(1,545)**	**(1,545)**
Derivative financial instruments – liabilities	**(65)**	**(5,277)**	**(5,342)**
Provisions	**(48)**	**(962)**	**(1,010)**
Current tax payable	**(706)**	**–**	**(706)**
Collateral owing	**(2,719)**	**–**	**(2,719)**
Amounts due to Group companies	**(1,271)**	**–**	**(1,271)**
Repurchase agreements	**(6,002)**	**–**	**(6,002)**
Other liabilities	**(12,718)**	**–**	**(12,718)**
Total liabilities	**(25,894)**	**(574,639)**	**(600,533)**

The balance sheet is presented on the basis of when a liability is expected to be settled. Investment contracts typically cover a period of longer than one year and are not expected to be settled within one year. They are therefore, classified as non-current liabilities. Investment contracts are typically callable on demand, and therefore, from a risk management perspective, are presented in the shortest dated maturity category.

Rm	SEPARATE 2017 Current assets	Non-current assets	Total
Assets			
Intangible assets	–	1,122	1,122
Investment property	–	1,196	1,196
Owner-occupied property	–	2,379	2,379
Equipment	–	381	381
Deferred tax assets	–	21	21
Reinsurance contracts	290	10	300
Post-employment benefits	–	664	664
Deferred acquisition costs	349	853	1,202
Loans and advances	–	209	209
Investments and securities	53,616	568,959	622,575
Derivative assets	641	3,021	3,662
Amounts due by Group companies	2,671	3,348	6,019
Other assets	11,213	–	11,213
Cash and cash equivalents	12,381	–	12,381
Non-current assets held-for-sale	1,220	–	1,220
Total assets	82,381	582,163	664,544

Notes to the financial statements

For the year ended 31 December 2018

3. Key exposures (continued)

3.3 Financial instruments (continued)

3.3.7 Financial risk management (continued)

	SEPARATE 2017		
Rm	Current liabilities	Non-current liabilities	Total
Liabilities			
Insurance contract liabilities	2,354	146,588	148,942
Investment contract liabilities with discretionary participating features	–	255,470	255,470
Investment contract liabilities	–	164,822	164,822
Borrowed funds	–	5,995	5,995
Share-based payment liabilities	203	373	576
Deferred revenue on investment contracts	71	80	151
Deferred tax liabilities	–	5,511	5,511
Derivative liabilities	492	4,509	5,001
Amounts due to Group companies	1,100	–	1,100
Provisions	–	1,266	1,266
Current tax payable	1,169	–	1,169
Collateral owing	8,094	–	8,094
Repurchase agreements	5,302	–	5,302
Other liabilities	10,226	–	10,226
Total liabilities	29,011	584,614	613,625

	CONSOLIDATED 2018		
Rm	**Current assets**	**Non-current assets**	**Total**
Assets			
Intangible assets	**–**	**2,362**	**2,362**
Investment property	**–**	**29,741**	**29,741**
Property, plant and equipment	**–**	**4,461**	**4,461**
Deferred tax asset	**–**	**189**	**189**
Reinsurers share of long-term business policyholder liabilities	**405**	**628**	**1,033**
Deferred acquisition costs	**350**	**1,177**	**1,527**
Derivative financial instruments (assets)	**96**	**2,699**	**2,795**
Loans and advances	**–**	**188**	**188**
Investments in associated undertakings and joint ventures	**–**	**27,188**	**27,188**
Investments and securities	**93,542**	**562,368**	**655,910**
Other assets	**13,895**	**–**	**13,895**
Amounts due by Group companies	**1,832**	**–**	**1,832**
Cash and cash equivalents	**16,128**	**–**	**16,128**
Total assets	**126,248**	**631,001**	**757,249**

Rm	CONSOLIDATED 2018 Current liabilities	Non-current liabilities	Total
Liabilities			
Insurance contracts	**(2,162)**	**(134,357)**	**(136,519)**
Investment contracts without discretionary participating features	**–**	**(275,145)**	**(275,145)**
Investment contracts with discretionary participating features	**–**	**(164,658)**	**(164,658)**
Third party interests in consolidated funds	**(76,374)**	**–**	**(76,374)**
Borrowed funds	**–**	**(17,037)**	**(17,037)**
Post-employment benefits obligation	**(50)**	**(1,338)**	**(1,388)**
Share-based payment liabilities	**(153)**	**(232)**	**(385)**
Deferred revenue on investment contracts	**–**	**(136)**	**(136)**
Deferred tax liabilities	**–**	**(3,217)**	**(3,217)**
Derivative liabilities	**(65)**	**(5,277)**	**(5,342)**
Provisions	**(79)**	**(963)**	**(1,042)**
Current tax payable	**(707)**	**–**	**(707)**
Collateral owing	**(2,719)**	**–**	**(2,719)**
Amounts due to Group companies	**(3,151)**	**–**	**(3,151)**
Repurchase agreements	**(6,002)**	**–**	**(6,002)**
Other liabilities	**(14,538)**	**–**	**(14,538)**
Total liabilities	**(106,000)**	**(602,360)**	**(708,360)**

"The balance sheet is presented on the basis of when a liability is expected to be settled. Investment contracts typically cover a period of longer than one year and are not expected to be settled within one year. They are therefore, classified as non-current liabilities. Investment contracts are typically callable on demand, and therefore, from a risk management perspective, are presented in the shortest dated maturity category."

Rm	CONSOLIDATED 2017 Current assets	Non-current assets	Total
Assets			
Intangible assets	–	1,373	1,373
Investment property	–	24,229	24,229
Owner-occupied property	–	2,379	2,379
Equipment	–	392	392
Deferred tax assets	–	419	419
Reinsurance contracts	290	453	743
Post-employment benefits	–	664	664
Deferred acquisition costs	351	1,994	2,345
Loans and advances	–	209	209
Investments and securities	53,616	635,074	688,690
Investments in associated undertakings and joint ventures	–	2,222	2,222
Derivative assets	641	3,021	3,662
Amounts due by Group companies	2,671	1,879	4,550
Other assets	14,425	–	14,425
Cash and cash equivalents	20,880	–	20,880
Non-current assets held-for-sale	1,313	–	1,313
Total assets	94,187	674,308	768,495

Notes to the financial statements

For the year ended 31 December 2018

3. Key exposures (continued)

3.3 Financial instruments (continued)

3.3.7 Financial risk management (continued)

	CONSOLIDATED 2017		
Rm	Current liabilities	Non-current liabilities	Total
Liabilities			
Insurance contracts	2,355	147,632	149,987
Investment contracts without discretionary participating features	–	273,934	273,934
Investment contracts with discretionary participating features	–	164,822	164,822
Third party interest in consolidated funds	76,763	–	76,763
Borrowed funds	1,984	9,505	11,489
Share-based payment liabilities	185	391	576
Deferred revenue on investment contracts	554	516	1,070
Deferred tax liabilities	–	7,079	7,079
Derivative liabilities	492	4,509	5,001
Amounts due to Group companies	2,796	–	2,796
Provisions	–	1,299	1,299
Current tax payable	1,183	–	1,183
Collateral owing	8,094	–	8,094
Repurchase agreements	5,302	–	5,302
Other liabilities	15,072	–	15,072
Total liabilities	114,780	609,687	724,467

Other unaudited information

The following table shows the sensitivity of the embedded value to changes in key assumptions. Embedded value is a measure of the value of shareholders' interests in the covered business (excluding the strategic shareholding in Nedbank) 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.

Rm	FY 2018 EV
Central assumptions	**57,316**
Value given changes in:	
Economic assumptions 100bps increase[1]	**57,295**
Economic assumptions 100bps decrease[1]	**57,039**
Equity/property market value 10% increase[2]	**59,321**
Equity/property market value 10% decrease[2]	**55,275**
10 bps increase of liquidity spreads[3]	**57,473**
50 bps contraction on corporate bond spreads[4]	**57,699**
25% increase in equity/property implied volatilities[5]	**56,084**
25% increase in swaption implied volatilities[6]	**57,259**
10% decrease in discontinuance rates[7]	**58,849**
10% decrease in maintenance expenses[8]	**58,998**
5% decrease in mortality/morbidity rates[9]	**59,904**
5% decrease in annuitant mortality assumption[10]	**57,030**
VNB: 10% increase in acquisition expenses[11]	**57,316**
VNB: closing economic assumptions[12]	**57,316**

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

2 *10bps increase in liquidity spreads: Recognising the present value of an additional 10bps of liquidity spreads assumed on corporate bonds over the lifetime of the liabilities (annuities only), with credited rates and discount rates changing commensurately.*

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

4 *50 bps contraction on corporate bond spreads*

5 *25% increase in equity/property implied volatilities: 25% multiplicative increase in implied volatilities.*

6 *25% increase in swaption implied volatilities: 25% multiplicative increase in implied volatilities.*

7 *10% decrease in discontinuance rate*

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

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

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

11 *VNB 10% increase in acquisition expenses: For value of new business, acquisition expenses other than commission and commission-related expenses increasing by 10%, with no corresponding increase in policy charges.*

12 *VNB on closing economic assumptions: Value of new business calculated on economic assumptions at the end of the reporting period.*

The following table illustrates the disaggregation disclosure by primary operating segment, major lines of business and timing of revenue recognition.

CONSOLIDATED 2018

Rm	Mass and Foundation Cluster	Personal Finance	Wealth and Investments	Old Mutual Corporate	Other Group Activities	Consolidation of Funds	Total
Total revenue from contracts with customers	1	4,139	4,313	355	(798)	12	8,022
Non-IFRS 15 revenue							
Insurance	11,628	11,363	37	30,614	(407)	–	53,235
Other	106	1,649	(2,608)	2,261	1,719	5,351	8,478
Total revenue from other activities	11,734	13,012	(2,571)	32,875	1,312	5,351	61,713
Total revenue	11,735	17,151	1,742	33,230	514	5,363	69,735

4. Non-financial assets held to manage exposure

4.1 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 conditions between the valuation date and reporting date, an internal valuation is performed and adjustments are made to reflect any material changes in value.

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made and rentals received under operating leases are recognised in the income statement on a straight-line basis over the period of the lease.

Reconciliation of investment property – at fair value

		SEPARATE		CONSOLIDATED	
Rm	Notes	**2018**	2017	**2018**	2017
Carrying amount at beginning of the year		**1,196**	519	**24,229**	19,180
Additions	8.1	**92**	349	**1,275**	1,899
Acquired through business combinations	8.1	**–**	–	**3,826**	2,395
Disposals		**(364)**	(813)	**(372)**	(879)
Revaluation		**(88)**	51	**284**	185
Straight lining adjustment		**–**	–	**–**	225
Transfer from non-current assets held-for-sale		**384**	1,090	**384**	1,317
Transfers to non-current assets held-for-sale		**–**	–	**–**	(93)
Transfer to property and equipment		**(97)**	–	**(96)**	–
Forex movement		**–**	–	**211**	–
Carrying amount at end of the year		**1,123**	1,196	**29,741**	24,229

Amounts recognised in profit or loss for investment properties

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Rental income from investment property	**159**	241	**2,607**	2,146
Direct operating expenses arising from investment property rented out	**(12)**	(12)	**(612)**	(347)
	147	229	**1,995**	1,799

Investment properties consist of land and buildings, installed equipment and undeveloped land held to earn rental income for the long-term and subsequent capital appreciation. Properties are initially recognised at cost on acquisition, including all costs directly attributable to the acquisition and subsequent additions that will result in future economic benefits and whose cost can be measured reliably, are capitalised.

Direct costs relating to major capital projects are capitalised until the properties are brought into commercial operation.

Subsequent to initial recognition, investment properties are measured at fair value. Investment properties are maintained, upgraded and refurbished, where necessary, in order to preserve or improve the capital value as far as it is possible to do so. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are expensed in the income statement. Tenant installations and lease commissions are carried at cost less accumulated amortisation. Amortisation is provided to write down the cost, less residual value, by equal instalments over the period of the lease.

Investment properties are valued four times per annum. Two full valuations are undertaken at 30 June and 31 December and two desktop valuations are undertaken as at 31 March and 30 September of each year. All valuations are performed by external professional valuers.

The fair value of the Group's properties are categorised into level 3 of the fair value hierarchy. The valuation techniques used in the determination of the fair values for investment and owner-occupied properties, as well as the unobservable inputs used in the valuation models are as follows:

- Income-generating assets – commercial, retail and industrial properties: valued using the internationally and locally recognised Discounted Cash Flow 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 and capital 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 e.g. South African Property Owners Association (SAPOA), Investment Property Databank (IPD) as well as comparison to the listed sector property funds. Market rentals are based on the valuers' assumptions and information they have based on similar valuations they have done or sourced from external brokers.
- Land holdings or land: as a general rule, these will be valued according to the prevailing town planning scheme and current zoning at the date of valuation. The land is valued according to its current condition and zoning. Should the valuer consider that the site has potential for a different zoning, the valuer is permitted to report a value subject to receipt of zoning and advise accordingly. Land is to be valued by the direct comparison method by reference to recent sales of comparable properties in the neighbourhood or similar localities on a land per square metre, bulk per square metre or unit basis.
- Investment property under construction: valued in a similar manner to income producing properties (less outstanding development costs), except where the fair value of the investment property is not reliably determinable. In certain exceptional cases the cost model approach of land value plus development costs to date can be adopted to value developments in progress.

Any gain or loss arising from change in the fair value of the investment property is included in the income statement for the period to which it relates. Changes in fair value are excluded from the calculation of distributable earnings and is transferred from retained earnings to a non-distributable reserve, net of deferred tax in equity.

Gains and losses on the disposal of investment properties are recognised in the income statement and are calculated as the difference between the sale price and the carrying value of the property. The gain or loss is subsequently transferred to a non-distributable reserve for realised gains. All transfer between reserves are made net of the related deferred tax.

4. Investment property (continued)

4.1 Investment property (continued)

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	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 SAPOA and 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.	**South African Properties: Office** Capitalisation rates: 7.75% to 9% Discount rates: 13.75% to 14.5% Market rentals per: R95 to R163 per m^2 Vacancy rates: 0% to 20% **Retail** Capitalisation rates: 6.5% to 10% Discount rates: 12.5% to 16% Market rentals: R50 to R2,374 per m^2 Vacancy rates: 0% to 21.4% **Industrial** Capitalisation rates: 8.25% to 10.5% Discount rates: 14.25% to 16% Market rentals: R0 to R40 per m^2 Vacancy rates: 0% to 25.78% **Bulgarian Properties: Office** Capitalisation rates: 7.23% to 8.58% Discount rates: 9.25% to 9.5% Market rentals: EUR 11.50 to EUR 13:50 per m^2 Vacancy rates: 1.5% to 2.5% **Retail** Capitalisation rates: 7.23% to 8.58% Discount rates: 9.25% to 9.5% Market rentals: EUR 9.50 to EUR 17.50 m^2 Vacancy rates: 1.5% to 2.5% **Romanian Properties: Office** Capitalisation rates: 7% to 9.5% Discount rates:8.5% to 13% Market rentals: EUR 14 to EUR 18:50 per m^2 Vacancy rates: 7.7% to 10%"
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^2 and bulk per m^2 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^2 (net): R280 to R3,650
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^2: R75 to R4,000

4.1.1 Operating lease receivables

Rm	SEPARATE 2018	SEPARATE 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Total future minimum lease receivables under operating leases				
Within one year	**–**	–	**2,056**	1,749
In second to fifth year inclusive	**–**	–	**4,050**	4,005
Later than five years	**–**	–	**1,357**	1,521
	–	–	**7,463**	7,275

Investment property comprises a portfolio of retail, commercial and industrial properties that are leased to third parties. 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.

4.2 Owner-occupied property

Owner-occupied properties: valued according to the sales of comparable properties. Owner-occupied properties are valued as at 31 December each year by internal professional valuers and, independent external valuations are obtained once every 3 years.

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.

Category	Valuation Model	Measurement
Land	Revaluation model	Land is stated at revalued amounts and is not depreciated.
Buildings	Revaluation model	Stated at revalued amounts. Depreciated over a period of 50 years using the straight-line method. 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. 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 included in the income statement in the period the asset is derecognised. Any revaluation surplus is transferred directly to retained earnings.

Rm	SEPARATE AND CONSOLIDATED 2018	SEPARATE AND CONSOLIDATED 2017
Owner-occupied property		
Balance at beginning of the year	**2,379**	2,658
Additions	**1,529**	–
Transfer from investment property	**97**	–
Revaluation	**81**	77
Disposals	**–**	(109)
Depreciation	**(74)**	(47)
Transfer to non-current assets held for sale	**–**	(200)
Balance at end of the year	**4,012**	2,379

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. A fixed asset register is available for inspection at our registered office.

The carrying value that would have been recognised had owner-occupied property been carried under the historic cost model would be R3,577 million (2017: R2,025 million) for the Group and the Company.

5. Fair value: financial instruments

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 (CVA) and debit valuation adjustment (DVA) 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:

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 investment 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 earnings before interest, tax, depreciation and amortisation multiple or any other relevant technique.

Investments in associated undertakings and joint venture 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 the utilisation of option pricing models.

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, or by reference to quoted prices of similar instruments.

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 and other liabilities) reasonably approximate their carrying amounts as included in the consolidated statement of financial position as they are short-term in nature or re-priced to current market rates frequently.

Fair value hierarchy

Fair values are determined according to the following hierarchy:

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 – 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, certain quoted derivative assets and liabilities, listed borrowed funds, reinsurers' share of policyholder liabilities and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 – 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 and amounts owed to bank depositors.
Level 3 – 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, including certain inactive pooled investments, 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.

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5. Fair value: financial instruments (continued)

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.

	SEPARATE 2018			
Rm	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value				
Investments and securities	**313,795**	**259,796**	**51,449**	**625,040**
Derivative financial instruments – assets	**–**	**2,775**	**–**	**2,775**
Total financial assets measured at fair value	**313,795**	**262,571**	**51,449**	**627,815**

	SEPARATE 2017			
Rm	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Derivative assets	–	3,662	–	3,662
Investment and securities	304,292	270,005	48,278	622,575
Total financial assets measured at fair value	304,292	273,667	48,278	626,237

	SEPARATE 2018	
Rm	**Level 2**	**Total**
Financial liabilities at fair value		
Derivative financial instruments – liabilities	**5,342**	**5,342**
Investment contract liabilities	**260,186**	**260,186**
Borrowed funds	**6,048**	**6,048**
Total financial liabilities measured at fair value	**271,576**	**271,576**

	SEPARATE 2017	
Rm	Level 2	Total
Financial liabilities at fair value		
Derivative liabilities	5,001	5,001
Investment contracts	255,470	255,470
Borrowed funds	5,995	5,995
Total financial liabilities measured at fair value	266,466	266,466

Rm	CONSOLIDATED 2018 Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Investments and securities	**408,272**	**217,636**	**29,292**	**655,200**
Derivative financial instruments – assets	**–**	**2,795**	**–**	**2,795**
Total financial assets measured at fair value	**408,272**	**220,431**	**29,292**	**657,995**

Rm	CONSOLIDATED 2017 Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Designated fair value through profit or loss				
Derivative financial instruments – assets	–	3,662	–	3,662
Investments and securities	466,654	206,323	15,713	688,690
	466,654	209,985	15,713	692,352

Rm	CONSOLIDATED 2018 Level 2	Total
Financial liabilities at fair value		
Derivative financial instruments – liabilities	**5,342**	**5,342**
Borrowed funds	**6,048**	**6,048**
Investment contract liabilities	**274,081**	**274,081**
Third-party interests in consolidated funds	**76,374**	**76,374**
	361,845	**361,645**

Rm	CONSOLIDATED 2017 Level 2	Total
Designated fair value through profit or loss		
Derivative financial instruments – liabilities	5,001	5,001
Investment contract liabilities	273,934	273,934
Third-party interests in consolidated funds	76,763	76,763
Borrowed funds	11,489	11,489
	367,187	367,187

In the prior period all financial instruments were designated through profit and loss.

Notes to the financial statements

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5. Fair value: financial instruments (continued)

At 31 December 2018

Movement in level 3 assets

Rm	SEPARATE 2018	CONSOLIDATED 2018
At beginning of the year	**48,278**	**15,713**
Gains recognised in income statement	**374**	**(589)**
Purchases and issues	**3,909**	**3,626**
Sales and settlements	**(3,198)**	**(3,010)**
Transfers into level 3 from other categories	**1,992**	**1,992**
Transfers out of level 3 to other categories	**–**	**–**
Foreign exchange and other	**94**	**93**
Transfers due to consolidation of funds	**–**	**11,467**
At end of the year	**51,449**	**29,292**

Rm	SEPARATE 2017	CONSOLIDATED 2017
At beginning of the year	40,241	12,533
Gains recognised in income statement	2,681	948
Purchases and issues	1,741	652
Sales and settlements	(1,092)	(517)
Transfers into level 3 from other categories	6,164	5,841
Transfers out of level 3 to other categories	(1,457)	(1,457)
Transfers due to consolidation of funds	–	(2,287)
At end of the year	48,278	15,713

For the Group's designated Level 3 assets held at the end of the year, net losses of R319 million were recognised in the income statement as investment income (2017: net gains of R804 million).

For the Company's designated Level 3 assets held at the end of the year, net gains of R644 million were recognised in the income statement as investment income (2017: R1,206 million).

Effect of changes in assumptions

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. 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.

In respect of private equity investments, the valuations are assessed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment, in line with industry guidelines. In many of the methodologies, the principal assumption is the valuation multiple to be applied to the main financial indicators including, for example, multiples for comparable listed companies and discounts to marketability.

Gains and losses recognised in the income statement principally are taken through investment income.

For asset-backed securities whose prices are unobservable, models are used to 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 models used are calibrated by using securities for which external market information is available.

For structured notes and other derivatives, principle assumptions concern the future volatility of asset values and the future correlation between asset values. These principle assumptions include credit volatilities and correlations used in the valuation of the structured credit derivatives. 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.

Analysis of reasonably possible alternative assumptions – level 3 assets

	SEPARATE			
	2018		2017	
Rm	**Favourable changes**	**Unfavourable changes**	Favourable changes	Unfavourable changes
Level 3 financial assets				
Investments and securities	**3,056**	**(2,764)**	4,221	(4,511)

	CONSOLIDATED			
	2018		2017	
Rm	**Favourable changes**	**Unfavourable changes**	Favourable changes	Unfavourable changes
Level 3 financial assets				
Investments and securities	**1,898**	**(1,886)**	2,363	(3,046)

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 assumptions used for level 2 valuations include bond curves, interbank swap interest rate curve, and the forecasted consumer price index.

The table below sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as level 3. The majority of these instruments contribute to the table below. However, there are some instruments where sufficient detail could not be obtained in the current period. R5 billion of the Company's R51 billion balance and R4.9 billion of the Group's R29 billion balance could not be stressed accurately. Instead a high level 10% of market value sensitivity was done to approximate the sensitivity information.

Valuation technique	Significant unobservable input	Range of unobservable inputs
Discounted cash flow (DCF)	Risk adjusted discount rate: – Equity risk premium – Liquidity discount rate – Nominal risk free rate	3% – 7% 12.5% – 30% 7.17% – 9.03%
Price earnings (PE) model/multiple/ embedded value	PE ratio/multiple	4-11 times
Sum of parts	PE ratio and DCF	PE ratio and DCF

5. Fair value: financial instruments (continued)

Fair value hierarchy for financial assets and liabilities not measured at fair value

Certain financial instruments of the Group are not carried at fair value, principal loans and advances, cash and cash equivalents, and other financial assets and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments incorporates 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.

SEPARATE 2018

Rm	Level 1	Level 2	Level 3	Total Fair values	Total Carrying amount
Assets					
Loans and advances	–	–	188	188	188
Other assets	–	–	1,856	1,856	1,856
Cash and cash equivalents	–	6,216	–	6,216	6,216
	–	6,216	2,044	8,260	8,260
Liabilities					
Collateral owing	–	–	2,719	2,719	2,719
Repurchase agreements	–	6,002	–	6,002	6,002
Other liabilities	–	–	5,465	5,465	5,465
	–	6,002	8,184	14,186	14,186

SEPARATE 2017

Rm	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Loans and advances	–	–	209	209	209
Other assets	–	–	11,213	11,213	11,213
Cash and cash equivalents	–	12,381	–	12,381	12,381
	–	12,381	11,422	23,803	23,803
Liabilities					
Collateral owing	–	–	8,094	8,094	8,094
Repurchase agreements	–	–	5,302	5,302	5,302
Other liabilities	–	–	10,226	10,226	10,226
	–	–	23,622	23,622	23,622

CONSOLIDATED 2018				
Rm	Level 2	Level 3	Total Fair values	Total Carrying amount
Assets				
Loans and advances	–	188	188	188
Other assets	–	2,978	2,978	2,978
Cash and cash equivalents	16,128	–	16,128	16,128
	16,128	3,166	19,294	19,294
Liabilities				
Collateral owing	–	2,719	2,719	2,719
Repurchase agreements	6,002	–	6,002	6,002
Other liabilities	–	8,081	8,081	8,081
	6,002	10,800	16,802	16,802

CONSOLIDATED 2017				
Rm	Level 2	Level 3	Total Fair values	Total Carrying amount
Assets				
Loans and advances	–	209	209	209
Other assets	–	14,425	14,425	14,425
Cash and cash equivalents	20,880	–	20,880	20,880
	20,880	14,634	35,514	35,514
Liabilities				
Collateral owing	–	8,094	8,094	8,094
Repurchase agreements	–	5,302	5,302	5,302
Other liabilities	–	15,072	15,072	15,072
	–	28,468	28,468	28,468

SEPARATE 2018			
Rm	Maximum exposure to credit risk	Current financial year	Cumulative
Change in fair value due to change in credit risk			
Borrowed funds	6,048	131	6,179

6. Operating costs

6.1 Operating and administration expenses

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Staff costs (excluding directors' emoluments)				
Wages and salaries	**4,206**	3,869	**4,363**	3,979
Social security costs	**20**	18	**20**	18
Defined contribution plans	**174**	167	**174**	167
Bonus and incentive remuneration	**552**	660	**568**	663
Share-based payments	**524**	254	**530**	259
Other	**174**	126	**178**	127
Less: staff costs included in other acquisition costs	**(1,193)**	(1,175)	**(1,193)**	(1,175)
	4,457	3,919	**4,640**	4,038
Auditors' remuneration				
Statutory audit services – current year	**23**	27	**33**	37
Other non-audit related services	**44**	4	**44**	5
	67	31	**77**	42
Operating and administration expenses include				
Amortisation of intangible assets	**25**	24	**41**	25
Asset management expenses	**930**	1,219	**1,019**	1,339
Depreciation of property and equipment	**236**	227	**243**	230
Technical and professional fees	**569**	691	**569**	691

6.2 Share-based payment liabilities

The South Africa Plan Awards give rise to annual bonus awards. The level of annual bonus awards is contingent upon the satisfactory completion of individual and Company performance targets, measured over the financial year prior to the date the employees receive the award. The accounting grant date for the 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 grants.

	SEPARATE AND CONSOLIDATED	
Rm	**2018**	2017
Composition of share-based payment liabilities		
Share options	**–**	–
Restricted share awards	**385**	576
	385	576

Millions	SEPARATE AND CONSOLIDATED Number of awards 2018	Number of awards 2017
Restricted/forfeitable share awards		
Outstanding at beginning of the year	**26**	26
Granted during the year	**17**	10
Forfeited during the year	**(2)**	(3)
Exercised during the year	**(8)**	(7)
Outstanding at end of the year	**33**	26

The significant pricing inputs used in the valuation of the share-based payment liability are as follows:

	SEPARATE AND CONSOLIDATED 2018	2017
Restricted/Forfeitable share awards		
Number granted (millions)	**17**	10
Value of share awards (Rand millions)	**573**	352
Fair value per share (in Rands)	**22.40**	38.00

The share price at measurement date is used to determine the fair value of the restricted/forfeitable share. Expected dividends are not incorporated into the measurement of fair value as the holder of the restricted/forfeitable share is entitled to dividends throughout the vesting period of the share.

6. Operating costs (continued)

6.3 Post-employment benefits

Defined benefit plan

The Company provides pension benefits to permanent employees and post-retirement benefits to qualifying employees. Pension benefits have been designed and are administered in accordance with the Pension Funds Act, 1956 as amended, are accounted for in accordance with IAS 19 Employee Benefits, 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 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 tri-annual basis. In the intervening years a qualified actuary reviews the continuing appropriateness of the assumptions applied. The actuarial assumptions used to calculate the defined benefit obligations of the Group's defined benefit scheme vary according to the economic conditions.

At 31 December 2017, the Company was a policyholder in a qualifying insurance policy with the MMI Holdings Ltd Group of companies (MMI). The qualifying insurance policy was recognised as a plan asset to fund the Company's post-retirement medical aid obligations towards employees and pensioners. At 31 January 2018 Old Mutual Alternative Risk Transfer (Pty) Ltd replaced MMI as the insurer. 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 Company treated the related policyholder assets as investments and securities, while disclosing the post-retirement medical aid obligation as a gross defined benefit obligation in the consolidated statement of financial position.

In the separate statement of financial position, the insurance policy issued by Old Mutual Alternative Risk Transfer (Pty) Ltd no longer meet the definition of a plan asset for the Company, as it is no longer regarded as a 'qualifying insurance policy' in terms of IAS 19 Employee Benefits. The assets are disclosed in other assets, as a 'reimbursement right' in terms of IAS 19 Employee Benefits, while the post-retirement medical aid obligation is disclosed as a gross defined benefit obligation.

	SEPARATE AND CONSOLIDATED			
	2018		2017	
Rm	**Defined pension benefits**	**Post-retirement benefits**	Defined pension benefits	Post-retirement benefits
Obligations				
At beginning of the year	**218**	**1,346**	208	1,263
Current service cost	**2**	**20**	2	19
Interest cost on benefit obligation	**20**	**121**	21	117
Actuarial gains arising from – experience adjustment	**(20)**	**(41)**	(12)	1
Benefits paid	**(1)**	**(58)**	(1)	(54)
At end of the year	**219**	**1,388**	218	1,346
Plan assets				
At beginning of the year	**218**	**–**	208	1,857
Expected return on plan assets	**27**	**–**	27	174
Benefits paid	**(1)**	**–**	(1)	(54)
Net actuarial (loss)/gains	**(25)**	**–**	(16)	33
At end of the year	**219**	**–**	218	2,010
Net assets				
Funded status of plans	**–**	**–**	–	664

Rm	SEPARATE AND CONSOLIDATED			
	2018		2017	
	Defined pension benefits	Post-retirement benefits	Defined pension benefits	Post-retirement benefits
Income recognised in income statement				
Current service cost	**2**	**20**	2	19
Interest Income	**(7)**	**(61)**	(6)	(57)
Total	**(5)**	**(41)**	(4)	(38)

%	SEPARATE AND CONSOLIDATED			
	2018		2017	
	Defined pension benefits	Post-retirement benefits	Defined pension benefits	Post-retirement benefits
Principal actuarial assumptions				
Discount rates used	**10%**	**10%**	9%	10%
Expected return on plan assets	**10%**	**10%**	9%	9%
Future salary increases	**7%**	**7%**	7%	7%
Price inflation	**6%**	**6%**	6%	6%
Plan asset allocation				
Equity securities	**58%**	**–**	57%	58%
Debt securities	**25%**	**–**	27%	27%
Real estate	**7%**	**–**	6%	6%
Other investments	**10%**	**–**	10%	9%

Rm			SEPARATE AND CONSOLIDATED	
			2018	2017
Sensitivities				
Assumption	Change in assumption	Impact on scheme liabilities		
Inflation rate	Decrease by 1.0%	Decrease	**171**	168
	Increase by 1.0%	Increase	**209**	205

6. Operating costs (continued)

6.3 Post-employment benefits (continued)

The Group contributes to the following post-employment defined benefit plans in South Africa:

- The defined pension benefits plan entitles a retired employee to receive a monthly pension payment, equal to 2% of final salary for each year of service that the employee provided.
- The post-retirement benefits plan provides for a flat amount of subsidy towards the medical aid contributions for employees in retirement, provided they were employed prior to 1998.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk and investment risk. The Group has taken an appropriate insurance policy to provide for the benefits in the post-retirement benefits plan.

The assets of the plans are invested in insurance policies and related investment policies held by the insurers. Remeasurement of the defined benefit plan asset and liability, the return on plan assets (excluding interest) and the effect of the asset ceiling, are recognised immediately as other income.

Funding

Both plans are fully funded. The funding requirements are based on the fund's actuarial measurement framework set out in the funding policies of the plans. No contributions are expected to be made to either fund over the next 12 months.

The funding of the defined pension benefit plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out. Employees are required to contribute to the defined pension benefit plan.

The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements for the defined pension benefit plan) for the plans of the respective jurisdictions, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination has been made on a plan-by-plan basis.

As such, no decrease in the defined benefit asset was necessary at 31 December 2018 or 31 December 2017.

In respect of the Group's defined benefit retirement plan, the projected unit credit method is used to determine the present value of the defined benefit obligations and the related current service cost, and where applicable, past service cost.

The current service cost is recognised as an expense, immediately in profit or loss. Net interest income/expense on the net defined benefit plan asset/liability is determined by multiplying the net defined benefit plan asset/liability with the applicable discount rate, both at the beginning of the financial year and recognised immediately in profit or loss.

Past service costs arising from plan amendments or curtailment are recognised in profit or loss at the beginning of when the amendment occurs or when the related restructuring or termination costs are recognised.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly. The projected unit credit method is used to determine the present value of the defined benefit obligation. If such aggregate is negative, the asset is limited to the lower of the asset or the total of the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Remeasurement of the defined benefit plan asset and liability, the return on plan assets (excluding interest) and the effect of the asset ceiling, are recognised immediately in other comprehensive income.

7. Taxation

Current tax

Included within the tax charge are charges relating to:

- Normal income tax
- Taxes payable on behalf of policyholders
- Dividend 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, being 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.

7. Taxation (continued)

7.1 Income tax expense

Major components of the tax expense

Rm	SEPARATE 2018	SEPARATE 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Current tax				
Income tax				
Current year	**2,216**	1,801	**2,454**	2,048
Prior year adjustments	**31**	(27)	**34**	(9)
Capital gains tax	**75**	260	**75**	272
Dividends withholding tax	**229**	153	**229**	153
	2,551	2,187	**2,792**	2,464
Deferred tax				
Originating and reversing temporary differences – current year	**(967)**	1,127	**(903)**	1,181
Originating and reversing temporary differences – Nedbank	**(3,007)**	305	**(3,007)**	305
Changes in tax rates	**–**	–	**–**	–
Prior year adjustments	**2**	43	**(2)**	19
	(3,972)	1,475	**(3,912)**	1,505
Total current tax	**2,551**	2,187	**2,792**	2,464
Total deferred tax	**(3,972)**	1,475	**(3,912)**	1,505
Total tax expense	**(1,421)**	3,662	**(1,120)**	3,969

Reconciliation of tax rate on profit before tax

%	SEPARATE 2018	SEPARATE 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Standard rate of tax	**28.0**	28.0	**28.0**	28.0
Untaxed and low taxed income	**(43.2)**	(3.1)	**(42.8)**	(2.2)
Exempt Income	**(4.9)**	(2.0)	**1.7**	(1.1)
Capital gains tax – rates	**(0.5)**	(1.8)	**(0.9)**	(1.8)
Deferred tax on investment in Nedbank	**(37.8)**	0.7	**(43.6)**	0.7
Disallowable expenses	**(1.7)**	1.7	**(1.7)**	1.4
Adjustments to current tax in respect of prior years	**(0.7)**	(0.5)	**(0.9)**	(0.3)
Net movement on deferred tax assets not recognised	**–**	–	**–**	0.9
Adjustments to deferred tax in respect of prior years	**–**	–	**(0.1)**	(0.2)
Income tax attributable to policyholder returns	**1.7**	7.5	**3.1**	7.2
Other	**–**	0.2	**0.1**	0.1
Effective tax rate	**(15.9)**	33.8	**(14.3)**	34.9

7.2 Deferred tax

Rm	SEPARATE 2018	SEPARATE 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Deferred tax asset				
Investment contracts	**–**	–	**3**	–
Income tax losses	**38**	21	**156**	117
Other	**20**	–	**30**	302
Deferred tax asset	**58**	21	**189**	419
Deferred tax liability				
Capital gains tax – shareholders	**(169)**	(3,397)	**(175)**	(3,403)
Capital gains tax – policyholders	**(947)**	(1,409)	**(2,557)**	(2,573)
Investment contracts	**(101)**	(351)	**(145)**	(639)
Other	**(328)**	(354)	**(340)**	(464)
	(1,545)	(5,511)	**(3,217)**	(7,079)
Reconciliation of net deferred tax liability				
At beginning of the year	**(5,490)**	(3,995)	**(6,660)**	(5,056)
Income statement (charge)/gain	**3,972**	(1,475)	**3,913**	(1,505)
IFRS 9	**9**	–	**11**	–
IFRS 15	**–**	–	**(7)**	–
Addition from business combination	**–**	–	**(303)**	–
Other movements	**2**	(1)	**10**	(80)
Charged to other comprehensive income	**20**	(19)	**8**	(19)
At end of the year	**(1,487)**	(5,490)	**(3,028)**	(6,660)

Prior to Managed Separation, OMLACSA Company held a 15% stake in Nedbank. In accordance with the Group accounting policy, a deferred tax liability was raised for the difference between the fair value of the Nedbank shares held and the tax base cost.

During the year, the Company increased its holding in Nedbank to 19.9% and this investment is now treated as an associate.

In line with the Group accounting policy, no deferred tax is raised on investment in associate. As a result, the deferred tax liability of R3,007 million as at 31 December 2017 was released during the year.

7.3 Tax paid on income

Rm	SEPARATE 2018	SEPARATE 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Tax paid				
Balance payable at beginning of the year	**(1,169)**	(1,448)	**(1,183)**	(1,475)
Current tax expense	**(2,551)**	(2,187)	**(2,792)**	(2,464)
Balance payable at end of the year	**706**	1,169	**707**	1,183
	(3,014)	(2,466)	**(3,268)**	(2,756)

Notes to the financial statements

For the year ended 31 December 2018

8. Group structure and related parties

8.1 Investment in associates, joint ventures and subsidiaries

	SEPARATE 2018		
Rm	**Number of issued ordinary shares**	**% interest**	**Carrying value**
Listed – associate			
Nedbank Ltd	**99,548**	**19.9%**	**27,348**
Unlisted – associate			
NMT Capital (Pty) Ltd	**30**	**20%**	**13**
NMT Group (Pty) Ltd	**2,000**	**19%**	**–**
Unlisted – joint venture			
Old Mutual Guodian Life Insurance Company Ltd	**2,326,134**	**50%**	**1,160**
Unlisted – subsidiaries			
Old Mutual Technology Holdings Ltd	**11,000**	**100%**	**5**
Rodina Investments (Pty) Ltd	**100,100**	**100%**	**–**
Community Property Holdings (Pty) Ltd	**1,289,889,368**	**100%**	**3,774**
Old Mutual Alternative Solutions Ltd	**45,000,001**	**100%**	**86**
Old Mutual Health Insurance Ltd	**15,000,000**	**100%**	**–**
Agility Broker Services (Pty) Ltd	**50,000**	**100%**	**–**
Old Mutual Alternative Risk Transfer Ltd	**136**	**100%**	**85**
South Africa Celestis Brokers Services (Pty) Ltd	**100**	**100%**	**–**
Old Mutual Wealth (Pty) Ltd	**12,100**	**100%**	**6,354**
Old Mutual Real Estate Holding Company (Pty) Ltd	**1,223,657,627**	**100%**	**14,415**
22 Seven Digital (Pty) Ltd	**2,541**	**100%**	**6**
Grand Central Airport (Pty) Ltd	**9,000**	**100%**	**256**
Old Mutual Alternative Investment Holdings (Pty) Ltd	**130**	**100%**	**54**
Blue Hawk VI (Pty) Limited	**1**	**100%**	**502**
			54,058

Included in the Investment in Community Property Holdings (Pty) Ltd is a loan receivable of R2,517 million (2017: R2,089 million).

	SEPARATE 2017		
Rm	Number of issued ordinary shares	% interest	Carrying value
Unlisted – joint venture			
Old Mutual Guodian Life Insurance Company Ltd	2,326,134	50%	2,137
Unlisted – associate			
NMT Capital (Pty) Ltd	150	20%	–
Unlisted – subsidiaries			
Old Mutual Technology Holdings Ltd	11,000	100%	1
Rodina Investments (Pty) Ltd	100,000	100%	22
Community Property Holdings (Pty) Ltd*	1,289,889,368	100%	3,100
Old Mutual Alternative Solutions Ltd	45,000,001	100%	98
Old Mutual Health Insurance Ltd	15,000,000	100%	21
Agility Broker Services (Pty) Ltd	50,000	100%	–
Old Mutual Alternative Risk Transfer Ltd	100	100%	77
South Africa Celestis Brokers Services (Pty) Ltd	100	100%	–
Old Mutual Wealth (Pty) Ltd	120	100%	6,440
Old Mutual Real Estate Holding Company (Pty) Ltd	1,223,657,627	100%	13,493
Grand Central Airport (Pty) Ltd	9,000	100%	265
22 Seven Digital (Pty) Ltd	2,541	100%	–
			25,654

Notes to the financial statements

For the year ended 31 December 2018

8. Group structure and related parties (continued)

8.1 Investment in associates, joint ventures and subsidiaries (continued)

	CONSOLIDATED 2018			
Rm	Country of incorporation	% interest held	Carrying value	Gross share of profit/ (loss)
Listed – associates				
Nedbank Ltd	**Republic of South Africa**	**19.9%**	**24,771**	**549**
Unlisted – associates				
Kabokweni Plaza Shareblock (Pty) Ltd	**Republic of South Africa**	**49%**	**97**	**13**
Pioneer Property Zone Private Ltd	**India**	**50%**	**3**	**–**
Two Rivers Lifestyle Centre Ltd	**Kenya**	**50%**	**211**	**–**
Newtown Motor Dealership (Pty) Ltd	**Republic of South Africa**	**50%**	**96**	**1**
Richmond Park Development Company (Pty) Ltd	**Republic of South Africa**	**38%**	**45**	**(3)**
KDGC (Pty) Ltd	**Republic of South Africa**	**50%**	**7**	**–**
Old Mint (Pty) Ltd	**Republic of South Africa**	**50%**	**33**	**–**
Squarestone Growth LLP	**Republic of South Africa**	**43%**	**862**	**42**
NMT Capital (Pty) Ltd	**Republic of South Africa**	**20%**	**14**	**–**
NMT Group (Pty) Ltd	**Republic of South Africa**	**19%**	**–**	**–**
Unlisted – joint venture				
Old Mutual Guodian Life Insurance Company Ltd	**Republic of China**	**50%**	**1,049**	**(88)**
			27,188	**514**

	CONSOLIDATED 2017			
Rm	Country of incorporation	% interest held	Carrying value	Gross share of profit/ (loss)
Unlisted – associates				
Kabokweni Plaza Shareblock (Pty) Ltd	Republic of South Africa	46%	92	12
Triangle Real Estate India Fund Managers Private Ltd	India	50%	5	3
Pioneer Property Zone Private Ltd	India	50%	-	-
Two Rivers Lifestyle Centre Ltd	Kenya	50%	516	(24)
Newtown Motor Dealership (Pty) Ltd	Republic of South Africa	50%	96	1
Richmond Park Development Company (Pty) Limited	Republic of South Africa	38%	45	(1)
KDGC (Pty) Limited	Republic of South Africa	50%	1	-
Old Mint (Pty) Limited	Republic of South Africa	50%	1	-
Squarestone Growth LLP	Republic of South Africa	32%	302	11
NMT capital (Pty) Ltd	Republic of South Africa	20%	-	-
Unlisted – joint venture				
Old Mutual Guodian Life Insurance Company Ltd	Republic of China	50%	1,164	(41)
			2,222	(39)

Summarised Balance Sheet of Investment in Associate

Rm	CONSOLIDATED 2018
Nedbank Limited	
Mandatory reserve deposits and cash with central banks and other cash	**33,762**
Loans and advances	**740,008**
Other financial instruments	**227,515**
Other assets	**40,816**
Cash and cash equivalents	**11,343**
Total Assets	**1,053,444**
Amounts owed to bank depositors	**832,981**
Other financial instrument liabilities	**79,421**
Other liabilities	**49,438**
Total Liabilities	**961,840**
Net Assets	**91,604**

At 15 October 2018, OMLACSA acquired an additional 2.96% of Nedbank Limited at a market price of R2.3 billion from Old Mutual Portfolio Holdings (Pty) Ltd, settled via an inter-Company loan.

As a consequence of the Nedbank unbundling, on the 15 October 2018, the Company's share in Nedbank's equity increased from an investment to an equity accounted interest of 19.9% in its shareholder funds (R24,376 million) and a policyholder interest of 1.46% (R1,762 million) included in investments and securities held at fair value through profit or loss.

An odd lot offer was executed by Nedbank on 21 December which increased the Company's shareholding to 20.2%. The equity investment in Nedbank has been included in the consolidated income statement at an effective holding of 19.9%.

A relationship agreement between the Group and Nedbank governs the strategic relationship.

The investment in Two Rivers Lifestyle Centre Ltd was impaired by R267 million.

Community Property Holdings (Pty) Ltd and Old Mutual Real Estate Holding Company (Pty) Ltd are property loan stock companies. These types of companies unitise their portfolio of property holdings and the units acquired by investors are hybrid instruments comprising part debt and part equity.

During 2018, Old Mutual Real Estate Holding Company (Pty) Ltd and its subsidiaries invested in the following:

On 23 May 2018, Old Mutual Properties Investment Company Proprietary Ltd (OMP Investco), a subsidiary of Old Mutual Real Estate Holding Company (Pty) Ltd (OMREHC) purchased a controlling 60.81% stake in Lions Head Investments (LHI), a property management Company based in Bulgaria. The transaction has been accounted for as a business combination in accordance with IFRS 3 'Business Combinations'. The purchase price paid for LHI amounted to R226 million (€15.5 million). The net asset value for the stake purchased was R229 million (€15.7 million). Consequently a gain on bargain purchase of R3 million (€0.2 million) has been recognised.

On 14 June 2018, OMP Investco, through LHI, also purchased 100% of the equity of Portland Trust Developments s.r.l (Portland A&B/Oregon). The transaction has been accounted for as a business combination in accordance with IFRS 3 'Business Combinations'. The purchase price paid was R673 million (€45.8 million). The net asset value at the date of purchase was R657 million (€44.7 million), resulting in goodwill of R16 million (€1.1 million) being recognised.

On 20 July 2018, OMP Investco, through LHI, also purchased 100% of the equity of Megapark OOD (Megapark). The transaction has been accounted for as a business combination in accordance with IFRS 3 'Business Combinations'. The purchase price paid was R238 million (€15.1 million). The net asset value at the date of purchase was R176 million (€11.2 million), resulting in goodwill of R62 million (€3.9 million) being recognised.

Total investment properties acquired as a result of these transactions amounted to R3,788 million (€252.4 million). These investment properties form part of the Group's long-term insurance policyholder investment portfolio, backing linked and with-profit insurance and investment contracts.

8. Group structure and related parties (continued)

Structured entities

The Group's involvement in structured entities includes:

Type of structured entity	Nature	Purpose	Interest held by the Group
Investment in unlisted debt and equity investments.	Finance the Group's own assets through the issue of notes to investors.	Generate funding for the Group's lending activities. Funding for the Group's lending activities. Margin through sale of assets to investors. Fees for loan servicing.	Investment in senior and junior notes issued by the vehicles.
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.

The table below sets out the interest held by the Group in unconsolidated entities. The maximum exposure to loss is equal to sum of the carrying amount of the assets held.

	CONSOLIDATED	
	2018	2017
Rm	**Investment securities**	Investment securities
Pooled investments – Investment funds	**106,386**	109,560
Other	**3,404**	3,669
Total	**109,790**	113,229

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 R7,975 million compared to a total fund size of R146,052 million.

Fund 2

The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits. The fund invests in government securities, listed debt and equity securities. As at year end the Company's interest in the fund totalled R2,453 million compared to a total fund size of R50,259 million.

Fund 3

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 R7,213 million compared to a total fund size of R82,302 million.

Analysis of capital advances to Group undertakings

	SEPARATE AND CONSOLIDATED	
Rm	**2018**	2017
Old Mutual Portfolio Holdings (Pty) Ltd	**–**	1,897
Old Mutual Group Holdings (SA) (Pty) Ltd	**–**	1,081
Old Mutual Capital Holding (Pty) Ltd	**4,607**	5,841
	4,607	8,819

Of the R4.6 billion due by Old Mutual Capital Holding (Pty) Ltd, R3.65 billion is unsecured but interest is levied at market related rates and have fixed terms of repayment with a last date of repayment on 20 August 2021. The remainder of the amounts (R1.0 billion) due by this fellow subsidiary is unsecured, interest free and have fixed terms of repayment with a final tranche of repayment by 3 January 2022. 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.

The amounts due from Old Mutual Group Holdings (SA) (Pty) Ltd and Old Mutual Portfolio Holdings (Pty) Ltd were settled during the current year.

8.2 Amounts due by/(to) Group companies

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Amounts due by Group companies	**3,216**	6,019	**1,832**	4,550
Amounts due to Group companies	**(1,271)**	(1,100)	**(3,151)**	(2,796)
	1,945	4,919	**(1,319)**	1,754

	SEPARATE	
Rm	**2018**	2017
Subsidiaries and associates		
Rodina Investments (Pty) Ltd	**–**	(2)
Old Mutual Alternative Risk Transfer Ltd	**7**	3
South Africa Celestis Brokers Services (Pty) Ltd	**(3)**	(1)
Old Mutual Investment Services (Pty) Ltd	**578**	608
Old Mutual Unit Trust Managers (RF) (Pty) Ltd	**23**	17
Old Mutual Real Estate Holding Company (Pty) Ltd	**633**	588
Masthead (Pty) Ltd	**(1)**	2
Acsis (Pty) Ltd	**12**	27
Old Mutual Wealth (Pty) Ltd	**–**	200
Old Mutual Alternative Solutions Ltd	**2**	2
22 Seven Digital (Pty) Ltd	**–**	8
Old Mutual Technology Holdings (Pty) Ltd	**(3)**	(3)
Old Mutual Wealth Services Company (Pty) Ltd	**3**	2
Old Mutual Wealth Trust Company (Pty) Ltd	**128**	14
Grand Central Airport (Pty) Ltd	**(1)**	(1)
Old Mutual International (Guernsey) Ltd	**–**	(170)
	1,378	1,294

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Holding companies				
Old Mutual Emerging Markets Ltd	**130**	(135)	**130**	(135)
Old Mutual Group Holdings (SA) (Pty) Ltd	**11**	2,671	**(196)**	2,464
Old Mutual plc	**–**	101	**–**	101
Old Mutual Ltd	**57**	–	**57**	–
	198	2,637	**(9)**	2,430
Old Mutual plc – subordinated loan	**–**	(70)	**–**	(70)
	198	2,567	**(9)**	2,360

8. Group structure and related parties (continued)

8.2 Amounts due by/(to) Group companies (continued)

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Fellow subsidiaries				
Old Mutual Property (Pty) Ltd	**–**	2	**–**	2
Old Mutual (South Africa) Foundation	**55**	27	**55**	27
Old Mutual (Africa) Holdings (Pty) Ltd	**316**	240	**316**	240
Old Mutual Capital Holdings (Pty) Ltd	**(8)**	112	**(8)**	112
Old Mutual International (Guernsey) Ltd	**–**	–	**–**	–
Old Mutual Investment Group Holdings (Pty) Ltd	**(5)**	7	**(25)**	(11)
Old Mutual Alternative Investments Holdings (Pty) Ltd	**–**	108	**–**	108
Royal Skandia Life Assurance Ltd	**3**	(58)	**3**	(58)
Old Mutual (South Africa) Share Trust	**78**	248	**78**	248
Old Mutual Dividend Access Trust	**(655)**	(620)	**(655)**	(620)
Old Mutual Investment Administrators (Pty) Ltd	**22**	40	**22**	40
Old Mutual Specialised Finance (Pty) Ltd	**70**	21	**(1,555)**	(1,603)
Old Mutual Finance (RF) (Pty) Ltd	**(21)**	45	**(21)**	45
Old Mutual Life Assurance Company (Namibia) Ltd	**351**	273	**351**	273
Old Mutual Holdings (Kenya) Ltd	**75**	42	**75**	42
OMSA Broad Based Employee Share Trust	**(115)**	(77)	**(115)**	(77)
Old Mutual Black Distributors Trust	**85**	33	**85**	33
Old Mutual Education Trust	**6**	7	**6**	7
Old Mutual Corporate Real Estate Asset Management (Pty) Ltd	**4**	10	**4**	10
K2013236459 South Africa (Pty) Ltd	**–**	396	**–**	396
Old Mutual Transaction Services (Pty) Ltd	**7**	8	**7**	8
Global Edge Technologies (Pty) Ltd	**6**	37	**6**	37
OM Zimbabwe Holdco Ltd	**77**	34	**77**	34
Old Mutual (South Africa) Holdings Ltd	**(2)**	42	**(2)**	42
Old Mutual Insure Ltd	**36**	39	**36**	39
Old Mutual Life S.A. de C. V.	**12**	4	**12**	4
Old Mutual Direct Holdings (Pty) Ltd	**34**	–	**34**	–
OMSA Management Incentive Trust	**(427)**	–	**(427)**	–
Old Mutual Limited Broad-Based Black Economic Empowerment Employee Trust	**169**	–	**169**	–
Old Mutual Limited Employee Trust	**36**	–	**36**	–
The Old Mutual Black Distributors Trust	**17**	–	**17**	–
Old Mutual Life Assurance Company (Malawi) Ltd	**16**	8	**16**	8
Old Mutual Life Assurance Company (Swaziland) Ltd	**10**	4	**10**	4
Old Mutual Holding Company (Ghana) Ltd	**17**	5	**17**	5
UAP Holdings Ltd	**19**	11	**19**	11
Futuregrowth Asset Management (Pty) Ltd	**14**	8	**14**	8
Central Africa Building Society	**6**	–	**6**	–
Faulu Microfinance Bank Ltd	**3**	–	**3**	–
Other	**58**	27	**24**	5
	369	1,083	**(1,310)**	(581)
Old Mutual International (Guernsey) Ltd – subordinated loan	**–**	(25)	**–**	(25)
	369	1,058	**(1,310)**	(606)

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

8.3 Related party disclosures

The Company's immediate holding Company is Old Mutual Emerging Markets 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 8.1 and 8.2.

Other Group companies consist of fellow subsidiaries and associates.

	SEPARATE 2018			
Rm	**Holding Company**	**Fellow subsidiaries**	**Subsidiaries**	**Associates**
Income statement				
Interest income	–	**552**	**1,649**	**352**
Dividend income	–	**57**	**63**	–
Fee income/(expense)	–	**(325)**	**364**	–
Insurance contract premiums income/(expense)	–	**(42)**	–	–
Reinsurance contract premiums income/(expense)	–	**51**	–	–
Claims and policyholder benefits income/(expense)	–	**36**	–	–
Reinsurance contract benefits income/(expense)	–	**(65)**	–	–
Statement of financial position				
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)**
Statement of changes in equity				
Dividend expense	**(4,421)**	–	–	–
	SEPARATE 2017			
Income statement				
Interest income	–	2,645	1	–
Dividend income	–	1,006	95	2
Fee income/(expense)	–	(219)	1,271	–
Insurance contract premiums income/(expense)	–	175	–	–
Reinsurance contract premiums income/(expense)	–	11	–	–
Claims and policyholder benefits income/(expense)	–	31	–	–
Statement of financial position				
Cash and short-term securities	–	10,935	–	–
Zero coupon bonds held	–	2,971	–	–
Credit linked notes including interest	–	2,138	–	-
Collateral owing	–	3,366	–	–
Call loans including interest	–	784	–	–
Bonds including interest	–	(4,049)	–	–
Preference shares	–	–	–	64
Statement of changes in equity				
Dividend expense	(6,841)	–	–	–

8. Group structure and related parties (continued)

8.3 Related party disclosures (continued)

Rm	Holding Company	Fellow subsidiaries	Subsidiaries	Associate (Nedbank)
	CONSOLIDATED 2018			
Income statement				
Interest income	–	**414**	–	**352**
Dividend income	–	**57**	–	–
Fee income/(expense)	–	**(88)**	–	–
Insurance contract premiums income/(expense)	–	**(42)**	–	–
Reinsurance contract premiums income/(expense)	–	**51**	–	–
Claims and policyholder benefits income/(expense)	–	**36**	–	–
Reinsurance contract benefits income/(expense)	–	**(65)**	–	–
Statement of financial position				
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**	–	–
Bonds including interest	–	–	–	**(2,353)**
Statement of changes in equity				
Dividend expense	**(4,421)**	–	–	–
	CONSOLIDATED 2017			
Income statement				
Interest income	–	1,505	–	–
Dividend income	–	1,006	–	2
Fee income/(expense)	–	(219)	–	–
Insurance contract premiums income/(expense)	–	175	–	–
Reinsurance contract premiums income/(expense)	–	11	–	–
Claims and policyholder benefits income/(expense)	–	31	–	–
Statement of financial position				
Cash and short-term securities	–	9,854	–	–
Zero coupon bonds held	–	2,971	–	–
Credit linked notes including interest	–	2,138	–	-
Collateral owing	–	3,366	–	–
Call loans including interest	–	784	–	–
Bonds including interest	–	(4,049)	–	–
Statement of changes in equity				
Dividend expense	(6,841)	–	–	–

At 31 December 2018, corporate bonds with a fair value of R5,845 million (2017: government and corporate bonds of R685 million) including mortgages, loans and structured notes with a fair value of R2,235 million (2017: interest and equities of R820 million) had been lent to Old Mutual Specialised Finance (Pty) Ltd.

Included in the Statement of Financial Position is R2,719 million (2017: R1,634 million) collateral owing to Old Mutual Specialised Finance (Pty) Ltd.

Peter Moyo, the chief executive officer (CEO) of the Company, and also of Old Mutual Life Assurance Company (South Africa) Limited (OMLAC(SA)), a wholly-owned subsidiary of the Group, 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 Groups.

OMLAC(SA) has provided equity and preference share funding to NMT Capital and NMT Group.

RZT Zeply 4971 Proprietary Limited, RZT Zeply 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.

Rm	2018	2017
Investments held		
Ordinary shareholding – NMT Capital	**14**	14
Preference shareholding – NMT Capital	**48**	62
Preference shareholding – NMT Group	**190**	142
Preference shareholding – RZT Zeply 4971	**6**	13
Preference shareholding – RZT Zeply 4973	**6**	13
Preference shareholding – STS Capital	**6**	13
Preference shareholding – Amabubesi Capital Travelling	**21**	18
Transactions		
Ordinary dividend – NMT Capital	**23**	–
Preference dividend – NMT Capital	**9**	2
Preference dividend – NMT Group	**15**	8

The total impairment on the preference share capital held in NMT Capital and NMT Group amounted to R97 million for December 2018.

Directors' emoluments

2018 R'000	Fees	Salary	Bonus	Retire-ment and other benefits	Total excluding share-based payments	IFRS 2 fair value of unvested shares at year end owed to director	Number of shares vested	Class of share	Exercise price paid by director for share options exercised
C G Troskie	–	3,323	8,223	121	11,666	694	–	Ordinary	–
B M Rapiya	1,249	–	–	–	1,249	–	–	–	–
P G de Beyer	2,971	–	–	–	2,971	–	–	–	–
N T Moholi	1,351	–	–	–	1,351	–	–	–	–
C W N Molope	1,288	–	–	–	1,288	–	–	–	–
T M Mokgosi-Mwantembe	1,273	–	–	–	1,273	–	–	–	–
I S Sehoole	1,340	–	–	–	1,340	–	–	–	–
P C Baloyi	1,143	–	–	–	1,143	–	–	–	–
A K Essien	845	–	–	–	845	–	–	–	–
I Kgaboesele	1,109	–	–	–	1,109	–	–	–	–
J R Lister	2,632	–	–	–	2,632	–	–	–	–
S Magwentshu-Rensburg	1,281	–	–	–	1,281	–	–	–	–
T A Manuel	7,060	–	–	–	7,060	–	–	–	–
P M Moyo	–	7,720	14,124	280	22,124	11,748	–	Ordinary	–
	23,542	11,043	22,347	401	57,333	12,442	–	–	–

8. Group structure and related parties (continued)

8.3 Related party disclosures (continued)

2017 R'000	Fees	Salary	Bonus	Retire-ment and other benefits	Total excluding share-based payments	IFRS 2 fair value of unvested shares at year end owed to director	Number of shares vested	Class of share	Exercise price paid by director for share options exercised
R T Mupita	–	471		453	924		–		–
I G Williamson[2]	–	3,611	2,887	1,264	7,762	8,674	56,627	Ordinary	–
B M Rapiya	1,305				1,305		–	–	–
D Macready[1]		4,054	6,741	860	11,655	15,599	–	Ordinary	–
P G de Beyer	3,780	–	–	–	3,780	–	–	–	–
N T Moholi	1,979	–	–	–	1,979	–	–	–	–
C W N Molope	1,761	–	–	–	1,761	–	–	–	–
T Mokgosi-Mwantembe	272	–	–	–	272	–	–	–	–
I S Sehoole	343	–	–	–	343	–	–	–	–
P C Baloyi	1,197	–	–	–	1,197	–	–	–	–
A K Essien	1,136	–	–	–	1,136	–	–	–	–
I Kgaboesele	573	–	–	–	573	–	–	–	–
J R Lister	292	–	–	–	292	–	–	–	–
S Magwentshu-Rensburg	272	–	–	–	272	–	–	–	–
T A Manuel	7,167	–	–	–	7,167	–	–	–	–
P G M Truyens	2,477	–	–	–	2,477	–	–	–	–
P M Moyo[3]	–	6,213	9,966	448	16,627	3,881	–	Ordinary	–
M G Ilsley	–	705	–	45	750	1,574	–	Ordinary	–
	22,554	15,054	19,594	3,070	60,272	29,728	56,627	–	–

1. *D Macready's retirement and other benefits includes his employee contribution portion of R688k which was allocated from the salary amount*
2. *I G Williamson's retirement and other benefits includes his employee contribution for medical and pension of R316k which was allocated from the salary amount. It also includes his acting CFO allowance for 5 months of R500k.*
3. *P M Moyo's retirement and other benefits includes his employee contribution for medical and pension of R113k which was allocated from the salary amount. Retirement and other benefits also includes Group Life Cover of R96k. The 2017 emoluments of P M Moyo also include a salary of R2.1 million, bonus of R1.7 million and retirement and other benefits of R70k received as an Executive Director of NMT Capital (Pty) Ltd, an associate of the Group, until May 2017. M P Moyo became a Non-executive Director of NMT Capital following his appointment as Chief Executive Officer of the Company and he does not receive any fees in this regard.*

Directors' emoluments

Prescribed officers	P Moyo		C Troskie[5]	
R	**2018**	2017	**2018**	2017
Salary	**7,720,000**	4,221,875	**3,322,670**	–
Retirement and other benefits	**280,000**	153,125	**120,511**	–
TGP	**8,000,000**	4,375,000	**3,443,182**	–
Bonus – MSIP[2]	**6,768,750**	–	**–**	–
Other Bonus[1,4]	**7,355,478**	8,406,823	**8,222,606**	–
Total excluding share-based payments	**22,124,228**	12,781,823	**11,665,787**	
IFRS 2 fair value of unvested shares at year end owed to director	**11,747,536**	3,523,721	**693,763**	–
IFRS 2 charge on Nedbank/Quilter[3]	**22,747,713**	–	**–**	–
Number of shares vested	**523,294**	–	**–**	–
Class of share	**Ordinary**	–	**–**	–

Prescribed officers	C Chinaka		K Morule		C T Nethengwe	
R	**2018**	2017	**2018**	2017	**2018**	2017
Salary	**3,377,500**	2,681,598	**3,667,000**	2,639,597	**3,474,000**	2,232,506
Retirement and other benefits	**122,500**	97,260	**133,000**	95,737	**126,000**	80,972
TGP	**3,500,000**	2,778,858	**3,800,000**	2,735,333	**3,600,000**	2,313,478
Bonus – MSIP[2]	**1,589,280**	–	**3,006,300**	–	**1,529,750**	–
Other Bonus[1,4]	**4,045,978**	2,422,584	**2,650,548**	2,330,277	**4,205,793**	2,217,258
Total excluding share-based payments	**9,135,258**	5,201,442	**9,456,848**	5,065,610	**9,335,543**	4,530,736
IFRS 2 fair value of unvested shares at year end owed to director	**4,146,492**	5,819,074	**4,696,376**	5,276,356	**3,190,077**	3,750,995
IFRS 2 charge on Nedbank/Quilter[3]	**5,302,607**	–	**5,577,618**	–	**4,599,517**	–
Number of shares vested	**167,207**	34,954	**172,321**	51,916	**135,140**	8,161
Class of share	**Ordinary**	Ordinary	**Ordinary**	Ordinary	**Ordinary**	Ordinary

1. *Includes the performance bonus linked to performance in the 2018 financial year.*
2. *Includes the 2018 MSIP retention awards. 50% of the 2018 MSIP retention awards were settled in cash during the year and the remaining 50% will be settled in shares in the 2019 financial year. Cash MSIP reflected in the Bonus column with remaining MSIP included in FV of unvested shares*
3. *On 26 September 2018 Old Mutual announced the unbundling of its majority shareholding in Nedbank to its shareholders, marking a total distribution to Old Mutual shareholders worth approximately R38.8n and the completion of Old Mutual Group's Managed Separation*
4. *"Bonus – Other" includes Group life cover of R209,745 for P Moyo. C Troskie received a cash sign-on bonus to the amount of R1.9m with no prospective performance conditions as well as a buy- out award to the amount of R2.43m with no prospective performance conditions.*
5. *C Troskie was employed by the Company from 27 March 2018.*

8. Group structure and related parties (continued)

8.3 Related party disclosures (continued)

Directors' emoluments (continued)

	Award date	Vesting date	Opening balance on 1 Jan 2018	Granted during 2018 (number)	Forfeited during 2018 (number)	Settled during 2018 (number)	Closing balance on 31 Dec 2018 (number)	Value of receipts 2018 (ZAR)[1]	Estimated closing fair value on 31 Dec 2018 (ZAR)[2,3,4]
Executive directors									
P Moyo									
2017 LTIP	2017/09/06	2020/09/06	–	–	–	–	543,479	9,882,188	7,284,793
2018 LTIP	2018/04/19	2021/04/19	–	290,276	–	–	290,276	5,123,495	3,890,860
2018 DSTI	2018/04/19	2021/04/19	543,479	54,690	–	–	54,690	965,225	1,221,775
2018 BBESP	2018/09/18	2020/09/18	–	336	–	–	336	390	7,506
2018 Special BBESP5	2018/12/14	2020/09/18	–	128	–	–	128	–	2,860
2017 Buy-out award Tranche[1]	2017/09/06	2020/09/06	181,160	–	–	–	181,160	3,294,063	4,047,114
2017 Buy-out award Tranche[2]	2017/09/06	2021/09/06	181,160	–	–	–	181,160	3,294,063	4,047,114
2017 Buy-out award Tranche[3]	2017/09/06	2022/09/06	181,160	–	–	–	181,159	3,294,063	4,047,092
2018 MSIP	2018/09/18	2019/09/18	–	227,140	–	–	227,140	263,482	5,074,308
2018 Special MSIP[5]	2018/12/14	2019/09/18	–	86,180	–	–	86,180	–	1,925,261
Total								26,116,968	31,548,682
C Troskie									
2018 LTIP Tranche[1]	2018/09/18	2021/09/18	–	100,671	–	–	100,671	116,779	1,349,394
2018 LTIP Tranche[2]	2018/09/18	2022/09/18	–	100,671	–	–	100,671	116,779	1,349,394
2018 LTIP Tranche[3]	2018/09/18	2023/09/18	–	100,672	–	–	100,672	116,779	1,349,407
2018 Special LTIP Tranche[1]	2018/12/14	2021/09/18	–	38,196	–	–	38,196	–	511,979
2018 Special LTIP Tranche[2]	2018/12/14	2022/09/18	–	38,196	–	–	38,196	–	511,979
2018 Special LTIP Tranche[3]	2018/12/14	2023/09/18	–	38,197	–	–	38,197	–	511,993
2018 BBESP	2018/09/18	2020/09/18	–	336	–	–	336	390	7,506
2018 Special BBESP[5]	2018/12/14	2020/09/18	–	128	–	–	128	–	2,860
2018 Buy-out award	2018/09/18	2021/09/18	–	83,893	–	–	83,893	97,316	1,874,170
2018 Special Buy-out award[5]	2018/12/14	2021/09/18	–	31,831	–	–	31,831	–	711,105
Total								448,042	10,979,787

Directors' emoluments (continued)

	Award date	Vesting date	Opening balance on 1 Jan 2018	Granted during 2018 (number)	Forfeited during 2018 (number)	Settled during 2018 (number)	Closing balance on 31 Dec 2018 (number)	Value of receipts 2018 (ZAR)[1]	Estimated closing fair value on 31 Dec 2018 (ZAR)[2,3,4]
Prescribed officers	–								
C Nethengwe									
2015 LTIP	2015/04/17	2018/04/17	13,457	**–**	**(4,210)**	**(9,247)**	**–**	**383,050**	**–**
2016 LTIP	2016/03/14	2019/03/14	15,515	**–**	**–**	**–**	**15,515**	**282,023**	**173,996**
2017 LTIP	2017/03/29	2020/03/29	18,884	**–**	**–**	**–**	**18,884**	**343,232**	**253,121**
2018 LTIP	2018/04/19	2021/04/19	–	**95,792**	**–**	**–**	**95,792**	**1,690,687**	**1,283,996**
2014 DSTI	2014/04/08	2017/04/08	–	**–**	**–**	**–**	**–**	**–**	**–**
2015 DSTI	2015/04/17	2018/04/17	4,038	**–**	**–**	**(4,038)**	**–**	**166,293**	**–**
2016 DSTI	2016/03/14	2019/03/14	20,329	**–**	**–**	**–**	**20,329**	**369,416**	**454,150**
2017 DSTI	2017/03/29	2020/03/29	15,715	**–**	**–**	**–**	**15,715**	**285,564**	**351,073**
2018 DSTI	2018/04/19	2021/04/19	–	**35,757**	**–**	**–**	**35,757**	**631,053**	**798,811**
2018 BBESP	2018/09/18	2020/09/18	–	**336**	**–**	**–**	**336**	**390**	**7,506**
2018 Special BBESP[5]	2018/12/14	2020/09/18	–	**128**	**–**	**–**	**128**	**–**	**2,860**
2015 DSA Tranche[1]	2015/09/09	2018/09/09	23,274	**–**	**–**	**(23,274)**	**–**	**1,033,950**	**–**
2015 DSA Tranche[2]	2015/09/09	2019/09/09	23,274	**–**	**–**	**–**	**23,274**	**353,186**	**519,949**
2015 DSA Tranche[3]	2015/09/09	2020/09/09	23,274	**–**	**–**	**–**	**23,274**	**353,186**	**519,949**
2018 MSIP	2018/09/18	2019/09/18	–	**51,334**	**–**	**–**	**51,334**	**59,547**	**1,146,802**
2018 Special MSIP5	2018/12/14	2019/09/18	–	**19,477**	**–**	**–**	**19,477**	**–**	**435,116**
Total								**5,951,577**	**5,947,328**
K Morule									
2015 LTIP	2015/04/17	2018/04/17	13,370	**–**	**(4,182)**	**(9,188)**	**–**	**380,606**	**–**
2016 LTIP	2016/03/14	2019/03/14	49,500	**–**	**–**	**–**	**49,500**	**899,874**	**555,127**
2017 LTIP	2017/03/29	2020/03/29	59,966	**–**	**–**	**–**	**59,966**	**1,090,129**	**803,784**
2018 LTIP	2018/04/19	2021/04/19	–	**101,113**	**–**	**–**	**101,113**	**1,784,643**	**1,355,319**
2014 DSTI	2014/04/08	2017/04/08	–	**–**	**–**	**–**	**–**		
2015 DSTI	2015/04/17	2018/04/17	18,306	**–**	**–**	**(18,306)**	**–**	**753,878**	**–**
2016 DSTI	2016/03/14	2019/03/14	26,739	**–**	**–**	**–**	**26,739**	**486,010**	**597,349**
2017 DSTI	2017/03/29	2020/03/29	21,817	**–**	**–**	**–**	**21,817**	**396,524**	**487,392**
2018 DSTI	2018/04/19	2021/04/19	–	**37,580**	**–**	**–**	**37,580**	**663,079**	**839,537**
2012 SBMP – Tranche 2[7]	2012/04/10	2017/04/10	–	**–**	**–**	**–**	**–**	**–**	**–**
2012 SBMP – Tranche 2[7]	2012/04/10	2018/04/10	27,264	**–**	**–**	**(27,264)**	**–**	**1,121,151**	**–**
2018 BBESP	2018/09/18	2020/09/18	–	**336**	**–**	**–**	**336**	**390**	**7,506**
2018 Special BBESP[5]	2018/12/14	2020/09/18	–	**128**	**–**	**–**	**128**	**–**	**2,860**
2016 Discretionary award	2016/03/14	2019/03/14	25,000	**–**	**–**	**–**	**25,000**	**454,345**	**558,500**
2018 MSIP	2018/09/18	2019/09/18	–	**100,883**	**–**	**–**	**100,883**	**117,024**	**2,253,726**
2018 Special MSIP[5]	2018/12/14	2019/09/18	–	**38,277**	**–**	**–**	**38,277**	**–**	**855,108**
TOTAL								**8,147,654**	**8,316,208**

Notes to the financial statements

For the year ended 31 December 2018

8. Group structure and related parties (continued)

8.3 Related party disclosures (continued)

Directors' emoluments (continued)

	Award date	Vesting date	Opening balance on 1 Jan 2018	Granted during 2018 (number)	Forfeited during 2018 (number)	Settled during 2018 (number)	Closing balance on 31 Dec 2018 (number)	Value of receipts 2018 (ZAR)[1]	Estimated closing fair value on 31 Dec 2018 (ZAR)[2,3,4]
K Morule									
2015 LTIP	2015/04/17	2018/04/17	35,730	–	(11,177)	(24,553)	–	1,017,089	–
2016 LTIP	2016/03/14	2019/03/14	50,257	–	–	–	50,257	913,799	563,616
2017 LTIP	2017/03/29	2020/03/29	61,916	–	–	–	61,916	1,125,677	829,922
2018 LTIP	2018/04/19	2021/04/19	–	93,131	–	–	93,131	1,643,831	1,248,328
2014 DSTI	2014/04/08	2017/04/08	–	–	–	–	–	–	–
2015 DSTI	2015/04/17	2018/04/17	30,316	–	–	(30,316)	–	1,248,475	–
2016 DSTI	2016/03/14	2019/03/14	34,644	–	–	–	34,644	629,777	773,947
2017 DSTI	2017/03/29	2020/03/29	28,395	–	–	–	28,395	516,076	634,344
2018 DSTI	2018/04/19	2021/04/19	–	39,068	–	–	39,068	689,395	872,779
2018 BBESP	2018/09/18	2020/09/18	–	336	–	–	336	390	7,506
2018 Special BBESP[5]	2018/12/14	2020/09/18	–	128	–	–	128	–	2,860
2018 MSIP	2018/09/18	2019/09/18	–	53,332	–	–	53,332	61,865	1,191,437
2018 Special MSIP[5]	2018/12/14	2020/09/18	–	20,235	–	–	20,235	–	452,050
TOTAL								7,846,374	6,576,789

1. *Includes dividends paid during the 2017 and 2018 financial year respectively, the proceeds from the settlement of the awards by the Company at the settlement price as well as the Nedbank and Quilter distributions that were made as a result of the Managed Separation.*
2. *The 2015 and 2016 LTIP awards are included at the 20 day year end VWAP of R22.34 (2017: R37.13) in 2017 and 2018 respectively multiplied by the actual vesting of 50.20% (2017: 68.72%).*
3. *All other LTIP awards are included at the 20 day year end VWAP of R22.34 (2017: R37.13) multiplied by the estimated vesting of 60% (2017: 60%).*
4. *The DSTI awards, BBESP awards, Buy-out awards, SBMP awards and MSIP awards are included at the 20 day year end VWAP of R22.34 (2017: R37.13) multiplied by an estimated vesting of 100% (2017: 100%).*
5. *These participants were not eligible to receive the special distribution of Nedbank shares which occurred in October 2018. It was however approved by the OML Remuneration Committee that the Nedbank shares be sold at market value and the proceeds received be used to purchase OML shares on the market in order to make this special award.*
6. *C Troskie received a reimbursive sign-on cash bonus on date of appointment which vests in three tranches in April 2018, March 2019 and March 2020 respectively.*
7. *The Senior black management plan (SBMP) was discontinued in 2015. Accelerated vesting of all outstanding awards occurred on unbundling.*

Directors' emoluments (continued)

	Award date	Vesting date	Opening balance on 1 Jan 2018	Granted during 2018 (number)	Forfeited during 2018 (number)	Settled during 2018 (number)	Closing balance on 31 Dec 2018 (number)	Value of receipts 2018 (ZAR)[1]	Estimated closing fair value on 31 Dec 2018 (ZAR)[2,3,4]
Executive directors									
P Moyo									
2017 LTIP	2017/09/06	2020/09/06	–	**543,479**	**–**	**–**	**543,479**	**284,147**	**12,107,625**
2018 LTIP	2018/04/19	2021/04/19	–	–	–	–	–	–	–
2018 DSTI	2018/04/19	2021/04/19	–	–	–	–	–	–	–
2018 BBESP	2018/09/18	2020/09/18	–	–	–	–	–	–	–
2018 Special BBESP[5]	2018/12/14	2020/09/18							
2017 Buy-out award Tranche 1	2017/09/06	2020/09/06	–	**181,160**	**–**	**–**	**181,160**	**94,716**	**6,726,471**
2017 Buy-out award Tranche 2	2017/09/06	2021/09/06	–	**181,160**	**–**	**–**	**181,160**	**94,716**	**6,726,471**
2017 Buy-out award Tranche 3	2017/09/06	2022/09/06	–	**181,159**	**–**	**–**	**181,159**	**94,716**	**6,726,434**
2018 MSIP	2018/09/18	2019/09/18	–	–	–	–	–	–	–
2018 Special MSIP[5]	2018/12/14	2019/09/18	–	–	–	–	–	–	–
TOTAL								**568,294**	**32,287,000**
C Troskie									
2018 Sign-on bonus Tranche 1[6]	2018/03/27	2018/04/27							
2018 Sign-on bonus Tranche 2[6]	2018/03/27	2019/03/27							
2018 Sign-on bonus Tranche 3[6]	2018/03/27	2020/03/27							
2018 LTIP Tranche 1	2018/09/18	2021/09/18	–	–	–	–	–	–	–
2018 LTIP Tranche 2	2018/09/18	2022/09/18							
2018 LTIP Tranche 3	2018/09/18	2023/09/18	–	–	–	–	–	–	–
2018 Special LTIP Tranche 1	2018/12/14	2021/09/18	–	–	–	–	–	–	–
2018 Special LTIP Tranche 2	2018/12/14	2022/09/18	–	–	–	–	–	–	–
2018 Special LTIP Tranche 3	2018/12/14	2023/09/18	–	–	–	–	–	–	–
2018 BBESP	2018/09/18	2020/09/18	–	–	–	–	–	–	–
2018 Special BBESP[5]	2018/12/14	2020/09/18							
2018 Buy-out award	2018/09/18	2021/09/18	–	–	–	–	–	–	–
2018 Special Buy-out award[5]	2018/12/14	2021/09/18							
TOTAL						–	–		

Notes to the financial statements

For the year ended 31 December 2018

8. Group structure and related parties (continued)

8.3 Related party disclosures (continued)

Directors' emoluments (continued)

	Award date	Vesting date	Opening balance on 1 Jan 2017	Granted during 2017 (number)	Forfeited during 2017 (number)	Settled during 2017 (number)	Closing balance on 31 Dec 2017 (number)	Value of receipts 2017 (ZAR)[1]	Estimated closing fair value on 31 Dec 2017 (ZAR)[2,3,4]
Prescribed officers									
C Nethengwe									
2015 LTIP	2015/04/17	2018/04/17	13,457	–	–	–	13,457	12,801	343,359
2016 LTIP	2016/03/14	2019/03/14	15,515	–	–	–	15,515	14,759	289,188
2017 LTIP	2017/03/29	2020/03/29	–	18,884	–	–	18,884	17,963	420,698
2018 LTIP	2018/04/19	2021/04/19	–	–	–	–	–	–	–
2014 DSTI	2014/04/08	2017/04/08	8,161	–	–	(8,161)	–	270,361	–
2015 DSTI	2015/04/17	2018/04/17	4,038	–	–	–	4,038	3,841	149,931
2016 DSTI	2016/03/14	2019/03/14	–	–	–	–	20,329	19,338	754,816
2017 DSTI	2017/03/29	2020/03/29	–	15,715	–	–	15,715	14,949	583,498
2018 DSTI	2018/04/19	2021/04/19	–	–	–	–	–	–	–
2018 BBESP	2018/09/18	2020/09/18	–	–	–	–	–	–	–
2018 Special BBESP[5]	2018/12/14	2020/09/18	–	–	–	–	–	–	–
2015 DSA Tranche 1	2015/09/09	2018/09/09	23,274	–	–	–	23,274	22,140	864,176
2015 DSA Tranche 2	2015/09/09	2019/09/09	23,274	–	–	–	23,274	22,140	864,176
2015 DSA Tranche 3	2015/09/09	2020/09/09	23,274	–	–	–	23,274	22,140	864,176
2018 MSIP	2018/09/18	2019/09/18	–	–	–	–	–	–	–
2018 Special MSIP[5]	2018/12/14	2019/09/18	–	–	–	–	–	–	–
TOTAL			-	–	–	–	–	420,431	5,134,017
K Morule									
2015 LTIP	2015/04/17	2018/04/17	13,370	–	–	–	13,370	12,718	341,139
2016 LTIP	2016/03/14	2019/03/14	49,500	–	–	–	49,500	47,087	922,643
2017 LTIP	2017/03/29	2020/03/29	–	59,966	–	–	59,966	57,043	1,335,923
2018 LTIP	2018/04/19	2021/04/19	–	–	–	–	–	–	–
2014 DSTI	2014/04/08	2017/04/08	24,652	–	–	(24,652)	–	816,682	–
2015 DSTI	2015/04/17	2018/04/17	18,306	–	–	–	18,306	17,414	679,702
2016 DSTI	2016/03/14	2019/03/14	26,739	–	–	–	26,739	25,435	992,819
2017 DSTI	2017/03/29	2020/03/29	–	21,817	–	–	21,817	20,753	810,065
2018 DSTI	2018/04/19	2021/04/19	–	–	–	–	–	–	–
2012 SBMP – Tranche 2[7]	2012/04/10	2017/04/10	27,264	–	–	(27,264)	–	914,894	–
2012 SBMP – Tranche 2[7]	2012/04/10	2018/04/10	27,264	–	–	–	27,264	14,254	1,012,312
2018 BBESP	2018/09/18	2020/09/18	–	–	–	–	–	–	–
2018 Special BBESP[5]	2018/12/14	2020/09/18							
2016 Discretionary award	2016/03/14	2019/03/14	25,000	–	–	–	25,000	23,781	928,250
2018 MSIP	2018/09/18	2019/09/18	–	–	–	–	–	–	–
2018 Special MSIP[5]	2018/12/14	2019/09/18	–	–	–	–	–	–	–
TOTAL								1,950,061	7,022,853

Directors' emoluments (continued)

	Award date	Vesting date	Opening balance on 1 Jan 2017	Granted during 2017 (number)	Forfeited during 2017 (number)	Settled during 2017 (number)	Closing balance on 31 Dec 2017 (number)	Value of receipts 2017 (ZAR)[1]	Estimated closing fair value on 31 Dec 2017 (ZAR)[2,3,4]
C Chinaka									
2015 LTIP	2015/04/17	2018/04/17	35,730	–	–	–	35,730	33,988	911,660
2016 LTIP	2016/03/14	2019/03/14	50,257	–	–	–	50,257	47,807	936,753
2017 LTIP	2017/03/29	2020/03/29	–	61,916	–	–	61,916	58,898	1,379,365
2018 LTIP	2018/04/19	2021/04/19	–	–	–	–	–	–	–
2014 DSTI	2014/04/08	2017/04/08	34,954	–	–	(34,954)	–	1,157,971	–
2015 DSTI	2015/04/17	2018/04/17	30,316	–	–	–	30,316	28,838	1,125,633
2016 DSTI	2016/03/14	2019/03/14	34,644	–	–	–	34,644	32,955	1,286,332
2017 DSTI	2017/03/29	2020/03/29	–	28,395	–	–	28,395	27,011	1,054,306
2018 DSTI	2018/04/19	2021/04/19	–	–	–	–	–	–	–
2018 BBESP	2018/09/18	2020/09/18	–	–	–	–	–	–	–
2018 Special BBESP[5]	2018/12/14	2020/09/18	–	–	–	–	–	–	–
2018 MSIP	2018/09/18	2019/09/18	–	–	–	–	–	–	–
2018 Special MSIP[5]	2018/12/14	2020/09/18	–	–	–	–	–	–	–
TOTAL								1,387,468	6,694,049

1. *Includes dividends paid during the 2017 and 2018 financial year respectively, the proceeds from the settlement of the awards by the Company at the settlement price as well as the Nedbank and Quilter distributions that were made as a result of the Managed Separation.*
2. *The 2015 and 2016 LTIP awards are included at the 20 day year end VWAP of R22.34 (2017: R37.13) in 2017 and 2018 respectively multiplied by the actual vesting of 50.20% (2017: 68.72%).*
3. *All other LTIP awards are included at the 20 day year end VWAP of R22.34 (2017: R37.13) multiplied by the estimated vesting of 60% (2017: 60%).*
4. *The DSTI awards, BBESP awards, Buy-out awards, SBMP awards and MSIP awards are included at the 20 day year end VWAP of R22.34 (2017: R37.13) multiplied by an estimated vesting of 100% (2017: 100%).*
5. *These participants were not eligible to receive the special distribution of Nedbank shares which occurred in October 2018. It was however approved by the OML Remuneration Committee that the Nedbank shares be sold at market value and the proceeds received be used to purchase OML shares on the market in order to make this special award.*
6. *C Troskie received a reimbursive sign-on bonus on date of appointment which vests in three tranches in April 2018, March 2019 and March 2020 respectively.*
7. *The Senior black management plan (SBMP) was discontinued in 2015. Accelerated vesting of all outstanding awards occurred on unbundling.*

Notes to the financial statements

For the year ended 31 December 2018

9. Other financial disclosures

9.1 Other assets

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Accrued interest on cash collateral	**155**	1,147	**155**	1,147
Other accrued interest and rent	**3,040**	1,948	**3,119**	1,970
Outstanding settlements	**1,856**	4,496	**2,978**	6,582
Prepayments	**252**	1,280	**277**	1,294
Other	**4,287**	2,342	**7,366**	3,432
	9,590	11,213	**13,895**	14,425

The carrying value of other assets approximates fair value.

9.2 Cash and cash equivalents

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Bank balances	**5,894**	8,204	**15,806**	16,703
Collateral held	**322**	4,177	**322**	4,177
	6,216	12,381	**16,128**	20,880

Included in bank balances are R577 million in cash and cash equivalents with Nedbank Ltd

9.3 Other liabilities

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Amounts owed to policyholders	**3,611**	3,261	**3,181**	3,501
Amounts owed to intermediaries	**544**	387	**547**	391
Accruals	**1,496**	1,362	**1,583**	1,545
Outstanding settlements	**5,465**	4,760	**8,080**	8,461
Other	**1,602**	456	**1,147**	1,174
	12,718	10,226	**14,538**	15,072

9.4 Non-current assets held-for-sale

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Investment property				
Old Mutual Head Office on Stella Road	**–**	384	**–**	384
Portfolio of properties owned by the Company	**–**	–	**–**	–
Mutual Square	**–**	200	**–**	200
Sugarmill land	**–**	–	**–**	93
Associate				
UAP Holdings Ltd	**–**	636	**–**	636
	–	1,220	**–**	1,313

In 2017, OMLACSA classified the then current Old Mutual head office, Mutual Square, and a portion of an erf on Stella Road, where the new head office was being developed, as held-for-sale. In 2018, with the completion of the development of the new head office, both of these properties were sold.

In 2018, K2012150042 (South Africa) (Pty) Ltd, a subsidiary, sold the Sugarmill property that it classified as held-for-sale in the previous year.

In 2018, OMLACSA obtained regulatory approval to dispose of its interest in UAP Holdings Ltd, which was disclosed as held-for-sale in the previous year.

There were no new transfers into held-for-sale for the OMLACSA Group during 2018.

9.5 Share capital and premium

	SEPARATE AND CONSOLIDATED	
Rm	**2018**	2017
Authorised share capital		
10,000,000 ordinary shares of R1 each	**10**	10
10 redeemable preference shares of R1 each	**–**	–
	10	10
Issued share capital and premium		
8,000,001 ordinary shares	**8**	8
1 redeemable preference share of R1	**–**	–
Share premium	**6,415**	6,415
	6,423	6,423

Subject to the restrictions imposed by the Companies Act of South Africa, as amended, the unissued shares are under the control of the directors, until the forthcoming Annual General Meeting.

The preference share 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.

9. Other financial disclosures (continued)

9.6 Notes to the statement of cash flows

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Cash used in operations				
Profit before tax	**8,599**	10,850	**7,901**	11,371
Adjustments for non-cash movements included in profit				
Depreciation and amortisation	**261**	251	**286**	254
Dividend income	**(8,586)**	(5,351)	**(10,523)**	(6,505)
Interest income	**(21,575)**	(20,548)	**(21,950)**	(22,220)
Interest expense	**1,096**	1,696	**2,028**	2,299
Net fair value gains	**27,436**	(41,970)	**27,307**	(52,771)
Movements in policyholder liabilities	**(7,901)**	42,985	**(12,421)**	41,498
Profit on disposal of property, plant and equipment	**(1)**	–	**(1)**	–
Share-based payments charge	**(191)**	43	**(191)**	43
Charges to provisions and post-employment benefits obligations	**(298)**	(266)	**1,795**	(267)
Fair value adjustment on the non-current assets held-for-sale	**(94)**	241	**(94)**	241
Changes in working capital				
Deferred acquisition costs	**(33)**	(202)	**818**	(248)
Deferred revenue on investment contracts	**(85)**	116	**(934)**	192
Loans and advances	**21**	13	**21**	13
Other assets	**1,623**	(4,659)	**530**	(5,254)
Other liabilities	**2,492**	1,212	**(534)**	1,413
Reinsurance contracts	**(224)**	317	**(290)**	219
Net movement in loans to/from Group companies	**868**	4,432	**967**	5,482
Collateral owing	**(5,375)**	(17,845)	**(5,375)**	(17,845)
	(1,967)	(28,685)	**(10,660)**	(42,085)

9.7 Provisions

	SEPARATE 2018				
Rm	**Charitable donations**	**Provision for enhanced benefits**	**Provision for claw-back of prescribed claims**	**Other provisions**	**Total**
Opening balance	**717**	**178**	**195**	**176**	**1,266**
Reclassification within Statement of Financial Position	**–**	**–**	**–**	**(85)**	**(85)**
Utilised during the year	**(97)**	**(24)**	**(21)**	**(58)**	**(200)**
Investment return and repayments	**(44)**	**–**	**–**	**–**	**(44)**
Charge	**–**	**5**	**–**	**68**	**73**
	576	**159**	**174**	**101**	**1,010**

	SEPARATE 2017				
Opening balance	757	174	218	313	1,462
Reclassification within statement of financial position	–	–	–	(93)	(93)
Utilised or reversed during the year	(110)	–	(23)	(130)	(263)
Investment return and repayments	70	–	–	–	70
Charge	–	4	–	86	90
	717	178	195	176	1,266

Rm	CONSOLIDATED 2018 Charitable donations	Provision for enhanced benefits	Provision for claw-back of prescribed claims	Other provisions	Total
Opening balance	**717**	**178**	**195**	**209**	**1,299**
Reclassification within statement of financial position	**–**	**–**	**–**	**(64)**	**(64)**
Utilised during the year	**(97)**	**(24)**	**(21)**	**(59)**	**(201)**
Investment return and repayments	**(44)**	**–**	**–**	**–**	**(44)**
Charge	**–**	**5**	**–**	**47**	**52**
	576	**159**	**174**	**133**	**1,042**
	CONSOLIDATED 2017				
Opening balance	757	174	218	347	1,496
Reclassification within statement of financial position	–	–	–	(93)	(93)
Utilised or reversed during the year	(110)	–	(23)	(131)	(264)
Investment return and repayments	70	–	–	–	70
Charge	–	4	–	86	90
	717	178	195	209	1,299

Charitable donations

This provision relates to obligations of the Group in connection with the closure of the Old Mutual South Africa Unclaimed Shares Trust in 2006. An agreement was entered into in 2006 in terms of which the Group will provide donations to the *Masisizane Fund*, which has been set up as a charitable organisation for the enhancement of good causes.

Provision for enhanced benefits

This provision is held in respect of obligations which have arisen as a result of changes in legislation and updated interpretations of existing legislation impacting the life insurance industry.

Provision for claw-back of prescribed claims

This provision is held to allow for the possible future payment of claims that have been previously reversed. Due to the nature of the provision, the timing of the expected cash outflows are uncertain. Estimates are reviewed annually and adjusted, as appropriate, for new circumstances.

Other provisions

Other provisions includes provisions for items such as restructuring, administration related and legal claims. The timing of resolution of these claims is uncertain and it is expected that most of these provisions will be utilised over a number of years from the reporting date.

9.8 Intangible assets

	SEPARATE		CONSOLIDATED	
Rm	**2018**	2017	**2018**	2017
Carrying amount at beginning of the year	**1,122**	606	**1,373**	692
Additions	**747**	554	**855**	648
Amortisation	**(25)**	(24)	**(42)**	(25)
Impairments	**(25)**	–	**(41)**	–
Disposals	**(25)**	(14)	**(26)**	(14)
Acquisition of subsidiary	**–**	–	**243**	72
Carrying amount at end of the year	**1,794**	1,122	**2,362**	1,373
Cost	**2,191**	1,630	**2,791**	1,899
Accumulated amortisation and impairment loss	**(397)**	(508)	**(429)**	(526)
Carrying amount at end of the year	**1,794**	1,122	**2,362**	1,373

9. Other financial disclosures (continued)

9.8 Intangible assets (continued)

Intangible assets in the separate accounts consist of developmental expenditure. In the consolidated accounts, the balance of intangibles includes developmental expenditure of R1,928 million and goodwill of R434 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.

Intangible assets include software which has been internally generated and goodwill.

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.

9.9 Contingencies and commitments

Commitments

The Group entered into several contracts with an estimated value of R2,010 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 R101 million (2017: R1,176 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 R8,788 million (2017: R7,792 million) at 31 December 2018.

Guarantees and assets pledged as collateral security

The Group encumbered its investment in N3TC in favour of a Group of funders (including commercial banks and financial institutions) as security for financing to the value of R383 million (2017: R335 million).

The Group has set aside total cash reserves of R673 million as regulatory capital held based on the Collective Investment Scheme Control Act (CISCA), Financial Advisory and Intermediary Services Act (FAIS) and other applicable regulation.

Old Mutual Guernsey, a branch of the Group, reserved USD 360 million of policyholder assets in a trust, currently the trustees are Credit Suisse. This is a requirement by the Guernsey regulator.

Assets are pledged as collateral under repurchase agreements with other financial institutions. The Group enters into derivative instruments such as option contracts, interest rate swap agreements and other financial agreements in the normal course of business.

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

Contingent liabilities

Consumer protection

The Group is committed to treating customers fairly and supporting its customers in meeting their lifetime goals and treating customers fairly 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 possible financial effect (amount and timing of possible cash flows) of future regulatory changes or actions cannot be reliably determined at the reporting date.

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. 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.

9.10 Events after the reporting period

There were no events after the reporting date which affected the presentation of the separate and consolidated financial statements for the year ended 31 December 2018.

10. New and amended standards

10.1 New and amended standards adopted

The Company has adopted the following standards and amendments for the first time in their annual reporting period commencing 1 January 2018:

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements at and for the year ended 31 December 2017.

Adoption of IFRS 9 and IFRS 15

The Group has adopted IFRS 9: *Financial Instruments* from 1 January 2018, and has taken an exemption not to restate comparative information with respect to classification and measurement (including impairment) requirements.

The reclassifications, the adjustments arising from the new impairment rules of IFRS 9 and the adjustments relating to a change in revenue recognition from contracts with customers of IFRS 15: *Revenue*, are therefore not reflected in the consolidated and separate statement of financial position as at 31 December 2017, but are recognised in the opening consolidated and separate statement of financial position at 1 January 2018.

The impact of IFRS 9 on the current consolidated and separate financial statements is immaterial. The total transitional impact of recognising expected credit loss on opening balances in the separate statement of financial position was R19 million, whereas the impact on the consolidated statement of financial position was R23 million. The movement in the expected credit loss was a charge of R6 million in the separate income statement and R14 million in the consolidated income statement.

The following table summarises the impact of implementing IFRS 15 on the consolidated opening balance of total equity (comprising retained earnings, other reserves and non-controlling interest) for continuing operations at 1 January 2018. IFRS 15 had no material impact on the separate statement of financial position.

Rm	Reported under IAS 18	Transition adjustment	Reported under IFRS 15
Statement of financial position			
Deferred acquisition costs	**848**	**(848)**	**–**
Deferred tax assets	**245**	**(245)**	**–**
Total assets	**1,093**	**(1,093)**	**–**
Deferred revenue	**(875)**	**875**	**–**
Deferred tax liabilities	**(237)**	**237**	**–**
Total liabilities	**(1,112)**	**1,112**	**–**
Impact on retained earnings (before tax)			**28**
Deferred tax			**(8)**
Impact to retained earnings on 1 January 2018 (after tax)			**20**

10.2 Future standards, amendments to standards, and interpretations not early-adopted in the 2018 consolidated financial statements

Certain new accounting standards and interpretations, have been published that are not mandatory for 2018 reporting periods and have not been early adopted by the Company.

IFRS 16 *Leases*

IFRS 16 *Leases* was issued in January 2016 and replaces IAS 17 '*Leases*' and its interpretations for reporting periods beginning on or after 1 January 2019. The Company will implement the new standard from the effective date by applying the modified retrospective approach. The cumulative effect of initial application will be recognised in retained earnings at 1 January 2019, and comparative information will not be restated.

At inception of a contract the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease accounting is only applied to lease components within a contract.

IFRS 16 introduces a 'right-of-use' model whereby the lessee recognises a right-of-use asset and a lease obligation to make lease payments for leases in the scope of the standard. In the past the Company, as lessee, accounted for leases as either operating lease or finance leases and such distinction is not continued under IFRS 16 for lessees. The right-of-use asset is initially recognised at the present value of the lease liability. Subsequent measurement of the right-of-use asset will depend on the measurement basis applied for similar owned assets. When carried at cost or revalued amounts, the carrying value will be amortised into profit or loss over the lease term. The financial liability is recognised at the present value of future lease payments and is subsequently measured at amortised cost. Interest expense accrued on the lease liability is recognised in profit or loss.

10.2 Future standards, amendments to standards and interpretations not early adopted in the 2018 consolidated financial statements (continued)

Accounting for leases in the financial statements for lessors remained largely unchanged from the accounting applied under IAS 17. The Company, as a lessor, continues to classify and account for leases as either operating leases or finance leases. Additional disclosures will be provided on the annual financial statements for the financial period ending 31 December 2019.

All of the Company's businesses will be impacted by the adoption of IFRS 16. Based on the work done to date the Company expects an increase in assets and corresponding increase in liabilities of approximately R160 million as result of the implementation of IFRS 16.

IFRS 17 *Insurance Contracts*

The new IFRS 17 standard is effective for reporting periods beginning on or after 1 January 2022. The IASB issued IFRS 17 *Insurance Contracts* in May 2017 as a replacement for IFRS 4 *Insurance Contracts*. The Company 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 Company that issue insurance contracts or investment contracts with discretionary participation features. The Company has completed the initial impact assessment and has begun development of systems and processes required to apply the standard.

IFRIC 23 *Uncertainty over Income Tax Treatments*

The Company will apply the interpretation retrospectively for financial periods commencing on or after 1 January 2019. The interpretation provides guidance on the accounting treatment of uncertain income tax positions. In terms of the interpretation each tax entity should determine whether the uncertainties will be considered in isolation or cumulatively. In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. In determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity must consider the probability that a taxation authority will accept an uncertain tax treatment. The Company is assessing the impact of the interpretation.

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 Company is not required to review transactions completed in prior periods.

Amendments to IAS 19 *Employee Benefits – Plan Amendment, Curtailment or Settlement*

The amendments apply to plan amendments, curtailments, or settlements occurring on or after 1 January 2019. When the plan amendment, curtailment or settlement takes place the entity is required to determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. In addition, the entity is required to determine interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

Amendments to IAS 28 *Investments in Associates and Joint Ventures – Long-term Interests*

The amendments will be applied retrospectively from 1 January 2019, and will be implemented in the 2019 financial period. The amendments clarify that IFRS 9 is applied to long-term interests in an associate or joint venture that is not accounted for in terms of the equity method and form part of the net investment in the associate or joint venture. As a result the expected credit loss model in IFRS 9 is applied to financial assets at amortised cost included in the long-term interests. The Company is assessing the impact of the amendment.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*

The amendments will be applied retrospectively from 1 January 2019, and will be implemented in the 2019 financial period. A debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The Company is assessing the impact of the amendment.

11. Group accounting

11.1 Group accounting

In the Company financial statements the Company's investments in its subsidiaries, associates and joint arrangement companies are accounted for as financial assets through profit and loss and carried at fair value.

Consolidation procedures

The financial statements include assets, liabilities and results of the Company and subsidiary undertakings. The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the commencement of control or up to the date of disposal.

For subsidiaries acquired that are under common control, the Company recognises the difference between the consideration transferred and the net asset value of the subsidiaries acquired as previously recognised by the transferring entity.

Intra-Group balances and transactions, income and expenses and all profits and losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are only eliminated to the extent that there is no evidence of impairment.

Subsidiaries

Subsidiary undertakings are those entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the entity.

Where the Group acts as a fund manager to a number of investment funds determining whether the Group controls such an investment usually focuses on the assessment of decision making rights as a 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. 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 investment decisions on behalf of the unit holders to earn a variable fee, and there are no or weak kick out rights that would remove the Group as fund manager.

The Group continually assesses any changes to the facts and circumstances to determine whether such entities should be consolidated.

The assets of consolidated funds are accounted for in accordance with the appropriate accounting policies for the assets in question. The interest of investors from outside the Group in these funds are reported as a financial liability in the statement of financial position as, 'Third-party interests in consolidated funds'. As stated in note 3.3.7, these liabilities are regarded as current, as they are repayable on demand, although, it is not expected that they will be settled in a short time period.

Associates and joint ventures

An associate is an entity over which the Group has significant influence but not control or joint control, through participation in the financial and operating policy decisions of the investee. This is generally demonstrated by the Group holding in excess of 20%, but less than 50%, of the voting rights. All other factors, contractual or otherwise, are assessed in determining whether the Group has the ability to exercise significant influence.

A joint arrangement is a contractual arrangement of which two or more parties have joint control. Joint control exists when the decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments. Dividends declared by associates and joint ventures reduce the carrying value of the equity accounted investments in associates and joint ventures.

Where a Group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are eliminated in the same way but only to the extent that there is no evidence of impairment.

Investments in associates that are held with a view to subsequent resale are accounted for as non-current assets held-for-sale. For the period of time that an investment in an associate is classified as held-for-sale, equity accounting ceases until the investment is sold or the classification is no longer applicable. Investments in associates held by policyholder investment-linked insurance funds are accounted for as financial assets fair valued through profit or loss.

Step acquisition of investments in associates and joint ventures is accounted for by measuring the previously held interest and the consideration paid for the additional interest at fair value. The fair value adjustment on the previously held interest is recognised in profit or loss.

11.2 Foreign currency translation

Foreign currency transactions and balances other than in respect of foreign operations

Transactions in foreign currencies are converted into South African Rands, the Group's functional currency, at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at rates of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at foreign exchange rates ruling at the dates the fair values were determined. Non–monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are converted into the functional currency at the rate of exchange ruling at the date of the initial recognition of the asset and liability and are not subsequently retranslated.

Exchange gains and losses on the translation and settlement of monetary items during the period of foreign currency assets and liabilities are recognised in profit or loss. Exchange differences for non-monetary items are recognised in the consolidated statement of other comprehensive income when the changes in fair value of the non-monetary item are recognised in the consolidated statement of other comprehensive income, and in profit or loss if the changes in fair value of the non-monetary item are recognised in profit or loss.

Translation foreign operations

The assets and liabilities of foreign operations are translated from their respective functional currencies into the Group's presentation currency (South African Rands) using the year-end exchange rates, and their income and expenses using the average exchange rates for the year. Cumulative exchange differences from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity in the foreign currency translation reserve. Upon the disposal of a foreign operation, the cumulative amount of exchange differences deferred in shareholders' equity is recognised in profit or loss.

11.3 Impairment of non-financial assets

The recoverable amount of non-financial assets (other than financial assets, deferred tax assets and investment properties) is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss will not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

11.4 Comparative figures

Where appropriate, comparative figures are reclassified in line with current year presentation. Details are shown in the appropriate section.

No changes to prior year comparatives have been made.

11.5 Dividend distribution

Dividend distributions to the Group's shareholders are recognised in the period in which the dividend distribution is authorised and approved by the Group's shareholders.

11.6 Revenue

Revenue comprises premium income from insurance contracts (net of outward reinsurance premiums) and investment contracts with discretionary participating features, fee income from investment management service contracts, commission income and investment income (excluding investment losses). Revenue is accounted for in accordance with the following accounting policies.

Premiums receivable under insurance contracts and investment contracts with a discretionary participating feature are stated gross of commission, and exclude taxes and levies. Premiums are recognised when due for payment.

Outward reinsurance premiums are recognised when due for payment.

Fees charged for investment management services provided in conjunction with an investment contract are recognised as income in the income statement as the services are provided. 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.

Commission income is accounted for on an earned basis.

Dividend income is recognised in full on the ex-dividend date as investment income. Dividends from certain redeemable preference shares are recognised as income on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable such income will accrue to the Group.

11. Group accounting (continued)

11.7 Share capital

Ordinary and preference share capital are classified as equity if they are non-redeemable by the holder, and if dividends are discretionary. Coupon payments on preference share equity instruments are recognised as distributions within equity.

11.8 Non-current assets held-for-sale

Non-current assets, or disposal Groups comprising assets and liabilities, are classified as held-for-sale, if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal Groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

11.9 Cash and cash equivalents

Cash and cash equivalents comprises balances with banks and are carried at amortised cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash balances and highly liquid short-term funds, mandatory reserve deposits held with central banks, cash held in investment portfolios awaiting reinvestment and cash and cash equivalents through consolidation of funds. It excludes cash balances held in policyholder investment portfolios. Cash balances include cash collateral held.

11.10 Classification of current and non-current assets and liabilities

An asset is classified as current if the Group expects to realise it within the 12 months after the reporting date, or it is held-for-trading. Cash and cash equivalent are classified as current. All other assets are classified as non-current. A liability is classified as current if the Group expects to settle its obligation within 12 months after reporting date, or the liability is held for the purpose of trading. A liability is also classified as current if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. All other liabilities are classified as non-current.

12. Solvency capital requirements

SAM (Solvency Assessment & Management) is a risk-based prudential supervisory framework which seeks to improve policyholder protection and contribute to financial stability through aligning insurers' regulatory capital requirements with the underlying risks. It also strengthens the regulatory requirements in respect of governance, risk management and internal controls for insurers and aligns with international standards.

Under SAM, each insurance Company must maintain, own funds to cover as a minimum their capital requirements. In practice, companies will hold a buffer above this minimum requirement. Own funds consists primarily of the regulatory value of assets in excess of liabilities plus the value of any subordinated liabilities. 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 one-year period. The SCR can be calculated either using the Standard Formula or an Internal Model, as defined under SAM.

OMLACSA uses 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. The Standard Formula allows for, subject to Regulatory approval, certain methodology elections to be made. The estimated SAM Solvency positions are presented on the basis of OMLACSA's preferred methodology. OMLACSA is in the process of applying for regulatory approval of methodologies applied in calculations as part of the transition process being driven by the regulator.