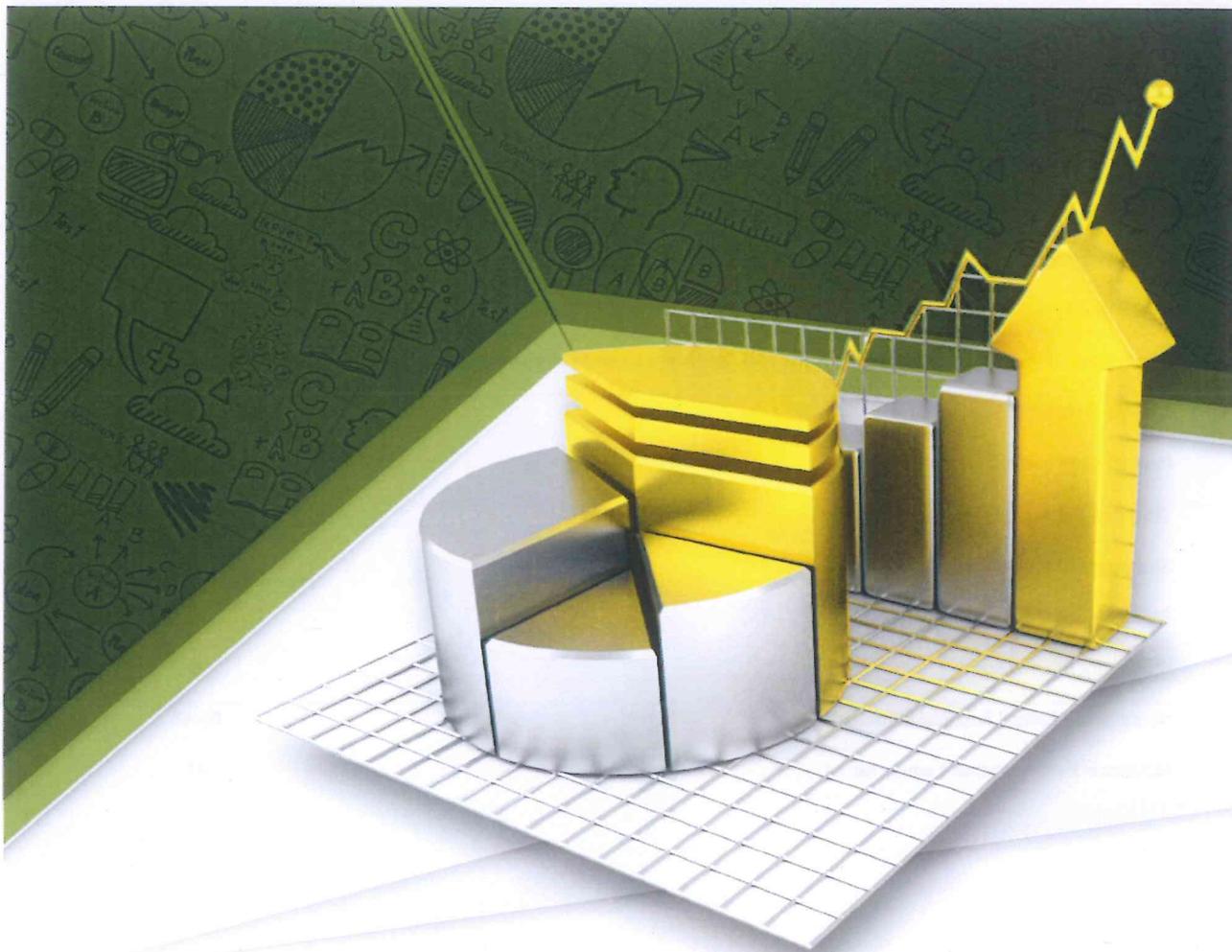


# Mutual & Federal Insurance Company Limited

Annual Financial Statements 2016



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Authorised Financial Services Provider

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The financial statements of Mutual & Federal Insurance Company Limited have been audited in compliance with section 30 of the Companies Act.

The financial statements have been prepared by T Osborne CA(SA) (Head of Finance), under the supervision of J Van der Sandt CA(SA) (Finance Director).

ANNUAL FINANCIAL STATEMENTS  
For the year ended 31 December 2016  
(Registration Number 1970/006619/06)

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## STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation and fair presentation of the annual financial statements of Mutual & Federal Insurance Company Limited, comprising the statement of financial position at 31 December 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

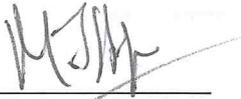
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the company's financial statements are fairly presented in accordance with the applicable financial reporting framework.

### Approval of the annual financial statements

The annual financial statements of Mutual & Federal Insurance Company Limited, as identified in the first paragraph, were approved by the board of directors on 22 February 2017 and signed on their behalf by:



**M J Harper**  
Chairman



**R Snyders**  
Chief Executive Officer

**JOINT REPORT OF THE AUDIT AND RISK COMMITTEES**  
For the year ended 31 December 2016

The audit and risk committees are committees of the Mutual & Federal Insurance Company Limited (Mutual & Federal) Board of Directors. In the execution of its duties during the past financial year, the audit and risk committees have:

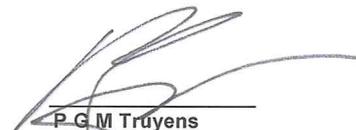
- reviewed the procedures for identifying business risks and controlling their impact on Mutual & Federal;
- reviewed the Mutual & Federal policies and procedures for detecting and preventing fraud;
- reviewed the operational effectiveness of Mutual & Federal's policies, systems and procedures;
- considered whether the independence, objectives, organisation, staffing plans, financial budgets, audit plans and standing of the internal audit function provide adequate support to enable the committee to meet its objectives;
- reviewed the results of the work performed by the internal audit function on financial reporting, corporate governance, internal control and any significant investigations and management's response;
- reviewed significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by the company or its employees as reported by management;
- reviewed the controls over financial and certain operational risks;
- reviewed any other relevant matters referred to it by the Board of Directors;
- reviewed the quality of financial information;
- reviewed the financial statements taken as a whole to ensure they present a balanced and understandable assessment of the position, performance and future viability of Mutual & Federal;
- reviewed the external auditor's report;
- discussed problems and reservations arising from the external audit, and any matters the external auditor wished to discuss (in the absence, where requested by the committees, of executive directors and any other person who is not a member of the committees);
- reviewed the external auditor's management letter and management's response; and
- reviewed the credibility, independence and objectivity of the external auditor. The audit and risk committee are satisfied that the external auditor is independent of the company for the 2016 year.

Where weaknesses were identified in the internal controls, corrective action has been taken to eliminate or reduce the concomitant risks. Accordingly, in our opinion, the internal controls of Mutual & Federal are effective to ensure that Mutual & Federal's assets were safeguarded, proper accounting records were maintained and resources were utilised efficiently.

Following our review of the annual financial statements for the year ended 31 December 2016, we are of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act, 2008 of South Africa and International Financial Reporting Standards and that they fairly present the results of operations, cash flows, and the financial position of Mutual & Federal. We recommended the approval of these statements by the Mutual & Federal Board of Directors.

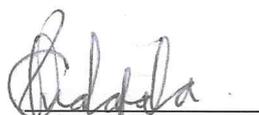
On behalf of the Audit and Risk Committees

  
N P Dongwana  
Chairperson of Audit Committee  
22 February 2017

  
P G M Truysens  
Chairperson of Risk Committee  
22 February 2017

CERTIFICATE BY COMPANY SECRETARY

I hereby confirm, in my capacity as company secretary of Mutual & Federal Insurance Company Limited (the company) that for the year ended 31 December 2016, the company has filed all required returns and notices in terms of the Companies Act, 2008 and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

  
M A Phalafala  
Company Secretary  
22 February 2017

## 1. Review of activities

### Main business and operations:

The company is a registered short-term insurance company. The operating results and state of affairs of the company are fully set out in the attached financial statements.

Mutual & Federal Insurance Company Limited ("the company") is domiciled in South Africa.

**Registered office:** 19th floor, Mutual & Federal Centre  
75 Helen Joseph street  
Johannesburg

**Postal address:** PO Box 1120  
Johannesburg  
2000

## 2. Dividends

The company declared a dividend of R nil (2015: R200m) for the year ended 31 December 2016.

## 2. Events after the reporting date

The directors are not aware of any events arising after the reporting period that affect the results for the year ended 31 December 2016.

## 3. Authorised and issued share capital

The authorised and issued share capital is disclosed per note 17 of the financial statements.

## 4. Directors and Public Officers

Directors	Name and Surname	Date
Appointed:	R G Tomlison	01 July 2016
Resigned:	G A Klintworth	30 June 2016

The current directors of the company are as follows:

Name	Nationality	Permanent / rotation	Notice period	Retirement age
R Snyders (Chief Executive Officer)	South African	Permanent	3 Months	62
J van der Sandt (Finance Director)	South African	Permanent	3 Months	62
M J Harper (Chairman)	South African	Rotation	1 Month	70
G Palser	South African	Rotation	1 Month	70
M Mia	South African	Rotation	1 Month	70
N P Dongwana	South African	Rotation	1 Month	70
P G M Truyens	Dutch	Rotation	1 Month	70
P R E Tsukudu	South African	Rotation	1 Month	70
P Rorich	South African	Rotation	1 Month	70
R G Tomlison	South African	Rotation	1 Month	70

## 5. Holding company

The Company is a wholly-owned subsidiary of Mutual & Federal Investments Proprietary Limited. The ultimate holding company is Old Mutual plc which is incorporated in the United Kingdom and listed on the London, Johannesburg, Malawi, Namibia and Zimbabwe stock exchanges.

## 6. Auditor

KPMG Inc. will continue in office in accordance with section 90 of the Companies Act of South Africa.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDER OF MUTUAL & FEDERAL INSURANCE COMPANY LIMITED**

*Opinion*

We have audited the financial statements of Mutual & Federal Insurance Company Limited set out on pages 5 to 40 which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mutual & Federal Insurance Company Limited as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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.

*Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa and Statement of Responsibility by the Board of Directors, the Joint Report of the Audit and Risk Committees and the Certificate by Company Secretary. The other information does not include the financial statements and our auditor's report thereon.

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

*Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing 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 company or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the 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 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 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 auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

**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 Mutual & Federal Insurance Company Limited for 46 years.

**KPMG Inc.**

Registered Auditor



Per Tim Bashall  
Chartered Accountant (SA)  
Registered Auditor  
Director  
22 February 2017

KPMG Crescent  
85 Empire Road  
Parktown  
Johannesburg

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2016

	Notes	2016 Rm	2015 Rm
Gross written premiums		8 718	9 038
Less: Reinsurance premiums		1 042	956
Net written premiums		7 676	8 082
Change in provision for unearned premiums	14	4	18
Gross amount		( 28)	12
Reinsurers' share		32	6
Earned premiums		7 680	8 100
Commission income from reinsurers		157	152
Net investment returns	18	124	880
<b>Net income</b>		<b>7 961</b>	<b>9 132</b>
Net claims incurred	19	(5 183)	(5 325)
Gross amount		(6 162)	(5 997)
Reinsurers' share		979	672
Acquisition costs		(1 321)	(1 487)
Administration expenses	20	(1 197)	(1 391)
Investment costs		( 6)	( 8)
Foreign exchange (losses) / gains		( 5)	9
<b>Profit before taxation</b>		<b>249</b>	<b>930</b>
Taxation	21	( 87)	( 117)
<b>Profit after taxation</b>		<b>162</b>	<b>813</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Revaluation of property	1.9	2	2
Actuarial loss on defined benefit plans	15	( 41)	-
		( 39)	2
<b>Total comprehensive income for the year</b>		<b>123</b>	<b>815</b>



STATEMENT OF FINANCIAL POSITION

at 31 December 2016

	Notes	2016 Rm	2015 Rm
<b>ASSETS</b>			
Intangible assets	11	150	163
Property and equipment	12	266	264
Deferred taxation assets	13	32	58
Investment in subsidiaries	7	2 076	1 931
Investment in associate	8	2	2
Interest in employee share trusts	9.1	529	624
Loans to share trusts	9.2	119	119
Loans and advances		1	2
Post-retirement medical benefit reimbursement asset	15	165	187
Deferred acquisition costs		129	132
Reinsurers' share of general insurance liabilities	14	1 282	945
Investments and securities	10	3 533	3 259
Amounts due from agents and reinsurers	5.1	719	1 078
Subrogation and salvage recoveries		292	204
Other receivables	6	553	424
Cash and cash equivalents		119	445
<b>Total assets</b>		<b>9 967</b>	<b>9 837</b>
<b>LIABILITIES</b>			
General insurance liabilities	14	3 809	3 712
Deferred reinsurance commission income		58	62
Deposits owing to reinsurers		525	391
Amounts due to agents and reinsurers		218	439
Post-retirement medical benefit liability	15	200	183
Taxation payable	21.4	16	2
Share based payment liability	16.2	53	79
Other payables		278	320
<b>Total liabilities</b>		<b>5 157</b>	<b>5 188</b>
<b>EQUITY</b>			
Share capital and share premium	17	1 797	1 797
Other reserves			
Property revaluation reserve		89	51
Retained income		2 924	2 801
<b>Total equity</b>		<b>4 810</b>	<b>4 649</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9 967</b>	<b>9 837</b>

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2016

	Notes	Share capital and share premium Rm	Property revaluation reserve Rm	Retained income Rm	Total ordinary shareholders' equity Rm
<b>Balance at 31 December 2014</b>		1 797	53	2 186	4 036
Profit for the year				813	813
Transfer from property revaluation to retained earnings	1.1		(2)	2	-
Dividends paid				(200)	(200)
<b>Balance at 31 December 2015</b>		1 797	51	2 801	4 649
Profit for the year				162	162
Transfer from property revaluation to retained earnings	1.9		(2)	2	-
Property revaluation	12		40		40
Actuarial loss on defined benefit plans	15			(41)	(41)
<b>Balance at 31 December 2016</b>		<b>1 797</b>	<b>89</b>	<b>2 924</b>	<b>4 810</b>

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2016

	Notes	2016 Rm	2015 Rm
<b>Cash flows from operating activities</b>			
Cash generated by operating activities		186	349
Cash generated by operations	22	10	127
Investment income		232	316
Contribution to post retirement medical aid asset	15.3	( 2)	( 2)
Taxation (paid)/received	21.4	(54)	(92)
<b>Cash flows from investing activities</b>			
Cash (utilised in)/generated by investing activities		(512)	(72)
Development / acquisition of intangible assets	11	(14)	(36)
Acquisitions of property and equipment to maintain operations	12	(45)	(76)
Proceeds on the disposal of property and equipment		3	-
Net repayments of loans and advances		1	1
Acquisition of additional equity interest in subsidiary	7	(190)	( 602)
Acquisition of associate	8	-	( 2)
Net proceeds of investments		(267)	643
Increase in amounts due to and from subsidiaries	7	2	13
Loan repayments from share trusts	9.2	-	1
Proceeds on settlement of Black business partner transaction	16	-	608
Acquisition of investments		(8 072)	(6 814)
Proceeds from disposal of investments		7 803	6 835
		(326)	277
<b>Cash flows from financing activities</b>			
Cash utilised in financing activities		-	(200)
Dividends paid		-	(200)
Net increase in cash and cash equivalents		(326)	77
Foreign exchange gain on cash and cash equivalents		-	1
Cash and cash equivalents at beginning of year		445	367
<b>Cash and cash equivalents at end of year</b>		<b>119</b>	<b>445</b>

## 1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### 1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and are in compliance with the Companies Act, 2008.

### 1.2 Basis of preparation

The financial statements are presented in South African Rand, which is also the company's functional currency, rounded to the nearest million. The financial statements are prepared on the historical-cost basis except for financial instruments which are at fair value and property which is revalued. The accounting policies set out below have been consistently applied to all periods presented in these financial statements and no new accounting policies have been adopted.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 2 to the financial statements.

### 1.3 Consolidated financial statements

Consolidated financial statements are not prepared as the company is a wholly-owned subsidiary of Old Mutual Emerging Markets Limited (a South African company) and Old Mutual plc (incorporated in England) prepares consolidated financial statements available for public use that comply with IFRS.

### 1.4 Investments in subsidiaries

Subsidiaries are all entities over which the group has control. To consider if control exists, consideration must be given as to how decisions about the relevant activities of the investee are made, whether the investor has power over the relevant activities of the investee and is able to use its power to affect returns for its benefit, and whether the investee is exposed to variability in returns relating to the investor. Control is assessed on a continuous basis and is reassessed as facts and circumstances change.

Investments in subsidiaries in the financial statements of the company are designated as fair value through profit or loss. Investments in subsidiaries are managed and their performance is evaluated on a fair value basis.

### 1.5 Investments in associates

Associates are all entities over which the company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates in the financial statements of the company are designated as fair value through profit or loss.

### 1.6 Insurance contracts

Contracts under which the company 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 or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer. Contracts under which the transfer of insurance risk to the company from the policyholder is not significant are classified as investment contracts. Refer to policy note 1.7.

#### Premiums

Gross written premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Premiums written include adjustments to premiums written in prior accounting periods.

Premiums on reinsurance assumed are included in gross written premiums as if this was direct business taking into account the product classification of the reinsured business.

Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten.

**1. ACCOUNTING POLICIES (continued)****1.6 Insurance contracts (continued)****Claims incurred**

Claims incurred consist of claims and claims handling expenses paid during the financial year, together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the company's estimate of the ultimate cost of settling all claims incurred, but unpaid at the reporting date whether reported or not, and an appropriate risk margin.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material. The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Case estimates are therefore reviewed regularly and updated if new information becomes available.

**Notified claims provision**

The provision for the notified claims are initially estimated at a gross level. Each notified claim is assessed on a separate, case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. The provision for each notified claim includes Value Added Taxation, where applicable.

**Claims incurred but not yet reported ("IBNR")**

The IBNR provision is initially estimated at a gross level and incorporates future developments on the case estimates of notified claims (Claims Incurred But Not Enough Reported or "IBNER") and claims reported after the reporting date (true IBNR claims). The IBNR provision consists of a best estimate reserve and an explicit risk margin. The explicit risk margin for IBNR is to increase reserves to the 75th percentile level of confidence.

**Unearned premium provision**

The company raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is then released as the risk under the contract expires. The majority of the company's insurance contracts have an even risk profile. Movement in the gross and reinsured earned premium provision is recognised in profit or loss.

Included in the unearned premium provision is a provision made for probable future cash bonus payments. The probability of paying out the provision is calculated based on claim frequency and lapse assumptions for active policies and based on the total number of event free months.

**Liabilities and related assets under liability adequacy test**

The net liability recognised for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the total insurance liability net of deferred acquisition costs. Where a shortfall is identified, an additional provision is made and the company recognises the deficiency in profit or loss for the year.

**Reinsurance**

The company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the transfer of its risks. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Reinsurance agreements that do not transfer significant insurance risk are accounted for as financial assets. Reinsurance arrangements do not relieve the company from its direct obligations to its policyholders.

Premiums ceded, claims reimbursed and reinsurance commission income are presented in the statement of comprehensive income and statement of financial position separately from the gross amounts. Deferred reinsurance commission income is recognised on a basis consistent with the provision for unearned premiums.

A separate calculation is carried out to determine the estimated reinsurers' share of insurance liabilities. The calculation of these reinsurance recoveries considers the type of risk underwritten, the year the gross claim occurred and therefore under which reinsurance contract the recovery will be made, the size of the claim and whether the claim was an isolated incident or forms part of a catastrophe reinsurance claim. The asset is then estimated using similar methods to those used to estimate the gross provision. There is no risk margin added to the best estimate of reinsurance IBNR, consistent with the treatment of other insurance assets.

Amounts recoverable under reinsurance contracts are recognised in the same year as the related claim and are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the company will receive from the reinsurer.

**Deferred acquisition costs**

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the unearned premium provision.

**Commission Income**

Comprises commissions earned in respect of insurance contracts. Commission income is recognised on the effective commencement or renewal date of the insurance contract. A portion of the income is deferred when further servicing is required to be rendered. The amount deferred is that which will cover the expected future servicing costs, together with a reasonable profit thereon, and is recognised as a liability. Deferred income is recognised in profit or loss evenly over the period of the policy. Where commission income is earned on an indemnity basis provision is made for the potential repayment of commissions.

**Subrogation and salvage recoveries**

In certain circumstances the company acquires the right to pursue third parties for losses paid to policyholders under insurance contracts. The company has recognised and disclosed all identifiable and measurable amounts it expects to recover, in the future, from past loss events, as a separate asset in the statement of financial position.

1. ACCOUNTING POLICIES (continued)

1.6 Insurance contracts (continued)

**Agents and reinsurers balances**

Agents and reinsurance balances are measured at amortised cost.

**Deposits with reinsurers and cedants**

Deposits with reinsurers and cedants are measured at amortised cost.

1.7 Investment contracts

Receipts and payments under financial contracts are not classified as insurance transactions in the statement of comprehensive income but are deposit accounted in the statement of financial position. The deposit liability recognised in the statement of financial position represents the amounts payable to the holders of the financial contracts inclusive of allocated financial income.

1.8 Foreign currencies

Foreign currencies are translated by applying the ruling spot exchange rate between the functional currency and the foreign currency at the date of transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate.
- Non-monetary items that are measured in terms of the historical cost in a foreign currency are translated using the exchange rate at date of transaction.
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

1.9 Property and equipment

Property and equipment are tangible assets that the company holds for its own use and which the company expects to use for more than one period. The consumption of the property and equipment is reflected through a depreciation charge designed to reduce the asset to its residual value.

The useful lives of the items of property and equipment have been assessed as follows :

Land	Not depreciated
Buildings: Main structure	50 years
Buildings: Electrical equipment	20 years
Building : Internal finishes	15 years
Vehicles	5 years
Furniture & Fittings	6 years
Equipment	6 years
Computer Equipment	3 years

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. When components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

**Measurement**

Land and buildings are carried at the revalued amounts being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

**Subsequent costs**

The cost of major renovations or other subsequent expenditure is included in the carrying amount of the asset when it is probable that the inflow of future economic benefits of the renovated asset will flow to the entity and the costs can be reliably measured. Repairs and maintenance are recognised in profit or loss in the period in which it occurs.

1. ACCOUNTING POLICIES (continued)

1.9 Property and equipment (continued)

**Revaluation**

Revaluation increases arising on the revaluation of property are recognised in other comprehensive income and accumulated in equity as a revaluation surplus. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount arising on the revaluation of such property is recognised in profit or loss to the extent that it exceeds the existing property revaluation reserve. Revaluations are performed once every three years.

**Components**

The amount initially recognised in respect of an item of property and equipment is allocated to its significant components and where they have different useful lives, are recorded and depreciated separately. The remainder of the cost, being the parts of the item that are individually not significant or have similar useful lives are grouped together and depreciated as one component.

**Depreciation**

Depreciation is calculated on a straight line basis to its residual value over the estimated useful life. The difference between depreciation of assets on a revalued basis and depreciation that would have been charged on a historic basis is transferred from the revaluation reserve to retained earnings.

**Impairment**

Where the carrying value of an asset is greater than its estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying value in line with its recoverable amount.

**Disposals**

Gains and losses on disposals of property and equipment are determined by comparing the proceeds received from disposal with the carrying amount of the assets and are included in profit or loss.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained income.

1.10 Intangible assets

An intangible asset is an identifiable, non-monetary asset that has no physical substance. An intangible asset is recognised when it is identifiable, the company has control over the asset, it is probable that economic benefits will flow to the company and the cost of the asset can be measured reliably.

Intangible assets consist of internally developed computer software. Costs include employee costs of the software development team and an appropriate portion of relevant overheads.

Capitalised internally generated software development costs are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. These intangible assets are amortised using the straight-line method over their expected useful lives, ranging between 2 to 10 years and are expected to have a nil residual value.

Expenditure associated with research activities regarding developing computer software programs is recognised as an expense when incurred.

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

1.11 Financial instruments

**Initial measurement**

Financial instruments are initially recognised at fair value. For financial instruments not at fair value through profit or loss, this includes any directly attributable transaction costs.

The company recognises loans and advances, deposits and debt securities issued on the date on which they originate. The company shall recognise a financial asset or a financial liability in its statement of financial position when the company becomes party to the contractual provisions of the instrument.

**Subsequent measurement**

*Investments and securities*

Listed and unlisted investments are designated at fair value through profit or loss. Investments are managed, evaluated and reported in terms of a risk and investment strategy on a fair value basis.

*Loans and advances*

Loans advanced are stated at amortised cost, using the effective interest rate method.

*Other receivables*

Other receivables are stated at amortised cost, using the effective interest rate method.

**1. ACCOUNTING POLICIES (continued)****1.11 Financial instruments (continued)****Subsequent measurement (continued)****Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and bank balances, all of which are available for use by the company unless otherwise stated. Cash and cash equivalents are stated at amortised cost.

**Other payables**

Other payables are stated at amortised cost, using the effective interest rate method.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Derecognition**

A financial asset is derecognised when the contractual cash flows from the asset expire, or transfers the right to receive the contractual cash flows in a transaction which substantially all the risks and rewards of ownership of the financial asset are transferred. A financial liability is derecognised when its contractual obligation is discharged, cancelled or when it expires.

**1.12 Impairment****Financial assets**

The carrying amounts of the company's financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if the objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed for impairment collectively. All impairment losses are recognised through profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

**Non-financial assets**

The carrying amount of other non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generate cash flows that are largely independent from other assets and companies. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**1.13 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Dividends payable are recorded in the company's financial statements in the period in which shareholder's rights to receive payment have been established.

**1.14 Income taxes**

Income tax expense represents the sum of current, withholding and deferred taxation for the year.

Current tax is the expected tax payable or receivable on the taxable income or loss 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.

**1. ACCOUNTING POLICIES (continued)****1.14 Income taxes (continued)**

Deferred tax is provided using the liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base per the methodology used by the Receiver of Revenue. 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 is charged to profit or loss except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income. The effect on deferred tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously recognised directly to equity or other comprehensive income. Deferred tax on taxable temporary differences is not recognised for investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and the parent is able to control the timing of the reversal of the temporary difference.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**1.15 Employee benefits****Short-term employee benefits**

The undiscounted cost of all short-term employee benefits is recognised in profit or loss during the period in which the employee renders the related service.

Short-term employee benefits are employee benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees rendered the related service. The accrual for employee entitlements to salaries, annual and sick leave represent the amount which the company has a present obligation to pay, as a result of employees' services provided up to the reporting date. The obligation has been calculated at undiscounted amounts based on current salary rates.

**Termination benefits**

Termination benefits are payable when an employee's employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The company recognises a liability and expense for the termination benefit at the earlier of the following dates:

- when the entity can no longer withdraw the offer of those benefits; and
- when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

If termination benefits are not expected to be settled wholly before 12 months after the year end of the annual reporting period, the entity shall apply the requirements of long term employee benefits.

**Bonus plans**

Bonuses are short-term benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period. A liability for employee benefits in the form of bonus plans is recognised in other payables when there is no realistic alternative but to settle the liability, and at least one of the following conditions is met:

- there is a formal plan and amounts to be paid are determined before the issuing of the financial statements; or
- past practice has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements.

Liabilities for bonus plans are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

**Cash settled share-based payment transactions**

The services received in cash-settled share-based payment transactions with employees are measured at the fair value of the instruments granted at each measurement date. The fair value of the amount payable to employees is recognised as an expense with a corresponding increase in liabilities, over the period that the employees becomes unconditionally entitled to the instruments, and is remeasured at each reporting date and at settlement date. Any changes in the liability are recognised in profit or loss.

**Post employment benefits**

The company contributes a fixed percentage of salary in respect of members of the defined contribution pension plans and this cost is recognised as an expense in profit or loss. The company has no constructive obligation to pay further contributions to the funds.

The company provides post-retirement medical benefits to qualifying employees who joined the company prior to 15 March 1999 by way of subsidising medical scheme contributions. The expected costs of these benefits are assessed in accordance with advice of qualified actuaries on an annual basis, using the projected unit credit method. The last valuation was performed at 31 December 2015. The remeasurement is charged to other comprehensive income as incurred.

**1.16 Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs, if material.

Where the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

1. ACCOUNTING POLICIES (continued)

1.17 Net investment income

Other income is accounted for as follows:

- Interest income is recognised as it accrues, using the effective interest method.
- Dividend income is recognised when the right to receive payment is established.

1.18 Leases

**Operating leases**

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are expensed in profit or loss on a straight-line basis over the period of the lease.

1.19 New standards, amendments and interpretations not yet adopted

All Standards and Interpretations that are applicable will be adopted at their effective date. These include the following Standards and Interpretations that are applicable to the business of the entity and may have an impact on future financial statements:

**IFRS 9 Financial Instruments**

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace *IAS 39 Financial Instruments: Recognition and Measurement*.

This standard will include changes in the measurement bases of the company's financial assets to amortised cost, and fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the company. This standard will not have a significant impact on the company. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application. Early adoption is permitted.

**IFRS 15: Revenue from Contracts with Customers.**

The core principle of the new standard is to recognise revenue as depicting the transfer of goods or services to customers in amounts that reflect the consideration expected to be received in exchange for those goods or services. The new Standard also sets out enhanced disclosures about revenue and provides guidance on certain transactions that were not previously dealt with in sufficient detail. The Company has assessed impact of the amendments and no material impact is expected for the company. The Standard has a mandatory effective date for all annual periods beginning on or after 1 January 2018. Early adoption is permitted.

**IFRS 16: Leases**

IFRS16, published on 13 January 2016, replaces the existing guidance in IAS 17: Leases and related interpretations. IFRS 16 includes revised guidance on the recognition, measurement, presentation and disclosure of leases. The core principle of the new standard is that lessee's will account for all leases in a single model on the Statement of Financial Position similar to the way finance leases were treated in IAS 17. This will eliminate the classification of leases as either operating leases or finance leases for lessees. Lessor accounting requirements are substantially similar to those in IAS 17 and the lessor will continue to classify its leases as operating leases or finance leases.

The Company has the assessed impact of the amendments and no material impact is expected for the company. The standard is effective for annual periods beginning on or after 1 January 2019 with retrospective application. Early adoption is permitted.

## 2 ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements in applying the accounting policies are described below:

### Claims incurred

The company's estimates for reported and unreported claims are continually reviewed and updated, and adjustments resulting from this review are reflected in profit or loss. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Refer to note 14.1.

### Defined post employment benefits

Assumptions are made regarding the level of subsidy and discount rates in calculating the company's post-retirement medical benefits. Details of these assumptions are set out in note 15.

### Investments in subsidiaries and associates

Investments in subsidiaries and associates are valued using a discounted earnings model or shown at net asset value, if net asset value approximates fair value. An annual valuation is performed by management. The Mutual & Federal Capital Management Committee approves the assumptions and inputs applied in the calculation. Refer to note 7 for further detail.

### Interest in staff share trusts

The interest in staff share trusts in the financial statements of the company is accounted for at fair value through profit or loss and presented as interest in employee share trusts on the statement of financial position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. CATEGORISATION OF ASSETS AND LIABILITIES

2016	Notes	Total Rm	Financial assets at fair value through profit or loss Rm	Loans and receivables Rm	Financial liabilities Rm	Other non- financial assets and liabilities Rm	Current assets and liabilities Rm	Non-current assets and liabilities Rm
<b>ASSETS</b>								
Intangible assets	11	150				150		150
Property and equipment	12	266				266		266
Deferred taxation assets	13	32				32		32
Investment in subsidiaries	7	2 076	2 076					2 076
Investment in associate	8	2	2					2
Interest in staff share trusts	9	529	529				19	510
Loans to share trusts	9	119		119				119
Loans and advances		1		1				1
Post-retirement medical benefit reimbursement asset	15	165				165	6	159
Deferred acquisition costs		129				129	129	
Reinsurers' share of general insurance liabilities	14	1 282				1 282	312	970
Investments and securities	10	3 533	3 533	-			3 206	327
Unlisted ordinary shares		16	16					16
Long term loans		8	8					8
Unlisted empowerment private equity fund		19	19					19
Listed ordinary shares		1 525	1 525				1 525	
Money market funds and securities treated as investments		1 965	1 965				1 681	284
Amounts due from agents and reinsurers	5	719		719			719	
Subrogation and salvage recoveries		292				292	239	53
Other receivables	6	553		553			553	
Cash and cash equivalents		119		119			119	
		9 967	6 140	1 511	-	2 316	5 303	4 664
<b>LIABILITIES</b>								
General insurance liabilities	14	3 809				3 809	2 936	873
Deferred reinsurance commission income		58				58	58	
Deposits owing to reinsurers		525			525		525	
Amounts due to agents and reinsurers		218			218		218	
Post-retirement medical benefit liability	15	200				200		200
Taxation payable	21	16				16	16	
Share based payment liability	16	53				53	13	40
Other payables		278			278		278	
		5 157	-	-	1 021	4 136	4 044	1 113

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
For the year ended 31 December 2016

3. CATEGORISATION OF ASSETS AND LIABILITIES (continued)

2015	Notes	Total Rm	Financial assets at fair value through profit or loss Rm	Loans and receivables Rm	Financial liabilities Rm	Other non- financial assets and liabilities Rm	Current assets and liabilities Rm	Non-current assets and liabilities Rm
<b>ASSETS</b>								
Intangible assets	11	163				163		163
Property and equipment	12	264				264		264
Deferred taxation assets	13	58				58		58
Investment in subsidiaries	7	1 931	1 931					1 931
Investment in associate	8	2	2					2
Interest in staff share trusts	9	624	624				87	537
Loans to share trusts	9	119		119				119
Loans and advances		2		2				2
Post-retirement medical benefit reimbursement asset	15	187				187		187
Deferred acquisition costs		132				132	132	
Reinsurers' share of general insurance liabilities	14	945				945	726	219
Investments and securities	10	3 259	3 259				2 516	743
Unlisted ordinary shares		15	15					15
Long term loans		8	8					8
Unlisted empowerment private equity fund		15	15					15
Listed ordinary shares		-	-					
Money market funds and securities treated as investments		3 221	3 221				2 516	705
Amounts due from agents and reinsurers	5	1 078		1 078			1 078	
Subrogation and salvage recoveries		204				204	167	37
Other receivables	6	424		424			424	
Cash and cash equivalents		445		445			445	
		9 837	5 816	2 068	-	1 953	5 575	4 262
<b>LIABILITIES</b>								
General insurance liabilities	14	3 712				3 712	2 850	862
Deferred reinsurance commission income		62				62	62	
Deposits owing to reinsurers		391			391		391	
Amounts due to agents and reinsurers		439			439		439	
Post-retirement medical benefit liability	15	183				183		183
Taxation payable	21	2				2	2	
Share based payment liability	16	79				79	61	18
Other payables		320			320		320	
		5 188	-	-	1 150	4 038	4 125	1 063

4. MANAGEMENT OF RISK & CAPITAL

4.1 INSURANCE RISK

4.1.1 Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

Types of insurance contracts	Commercial	Personal
Accident & Personal Accident	*	*
Crop	*	
Engineering	*	
Liability	*	*
Marine	*	*
Motor	*	*
Trade Credit (Guarantee)	*	
Property	*	*

The commercial division underwrites the risks of enterprises from small businesses to large corporates. The personal division provides insurance to the general public in their personal capacities.

**Accident** - Provide indemnity for loss of, or damage to, mainly movable property for losses caused by crime, certain accidental damage such as damage to goods in transit or accidental damage to glass. Included under the accident classes are legal liabilities an insured may incur as a result of accidental damage to third party property or accidental death or injury to a third party caused by the insured.

**Personal accident** - Provide compensation arising out of the death, permanent or temporary total disability of the insured, the family of the insured or possibly the employees of a business. Such death or disability is restricted to certain accidents and does not provide the wider cover available from the life insurance industry.

**Crop** - Provide indemnity for crops while still on the field against hail, drought and excessive rainfall. The cover ceases as soon as harvesting has taken place.

**Engineering** - Provide indemnity for loss sustained through the use of machinery and equipment or the erection of buildings or structures. This type of contract includes contract works, removal of support, project delay, construction plant, machinery breakdown, loss of profits, deterioration of stock, dismantling, transit and erection, works damage and electronic equipment.

**Liability** - Provide cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

**Marine** - Provide indemnity for both cargo and hull classes of business. Cargo covers physical loss of or damage to cargo, with a project delay option. Hull covers loss or damage to pleasure craft or commercial vessels as a result of accidents and also includes legal liability as a result of the accident.

**Motor** - Provide indemnity for loss of, or damage to, the insured motor vehicle. The cover is normally on an all risks basis providing a wide scope of cover following an accident or a theft of the vehicle but the insured can select restricted forms of cover such as cover for fire and theft only. Legal liabilities arising out of the use or ownership of the motor vehicle following an accident for damage to third party property or death or injury to a third party are also covered under this class of business.

**Trade Credit** - this is an insurance product for business entities wishing to protect their accounts receivable from loss due to credit risks such as protracted default, insolvency or bankruptcy. As part of efficient management of capital within the group, some trade credit risk from subsidiaries is transferred to the holding company using reinsurance.

**Property** - Provide indemnity for loss of, or damage to, immovable and movable property caused by perils such as fire, lightning, explosion, weather, water, earthquake and malicious damage. The fire classes also include business interruption policies which insure the loss of profits incurred by a business as a result of loss or damage to the insured property by these perils.

The return to shareholders under the above products arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the company. There is also scope for the company to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

4.1.2 Risk that arises from insurance contracts

**Insurance risk and policies for mitigating insurance risk**

The primary activity of the company relates to the assumption of the risk of loss from events involving persons or organisations. Such risks may relate to any of above mentioned classes of business. As such the company is exposed to the uncertainty surrounding the timing and severity of claims under insurance contracts.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected and that the company does not charge premiums appropriate for the risk accepted. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.



4. MANAGEMENT OF RISK & CAPITAL (continued)

4.1.2 Risk that arises from insurance contracts (continued)

**Insurance risk and policies for mitigating insurance risk (continued)**

The company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues. The company also employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment. These actions are described below:

**Underwriting strategy**

The company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks spread over a large geographical area. The underwriting strategy is set out in an annual business plan that determines the classes of business to be written, the territories in which business is to be written and the industry sectors to which the company is prepared to accept exposure. Adherence to the underwriting delegated authorities is managed through the underwriting portfolio management and quality assurance processes.

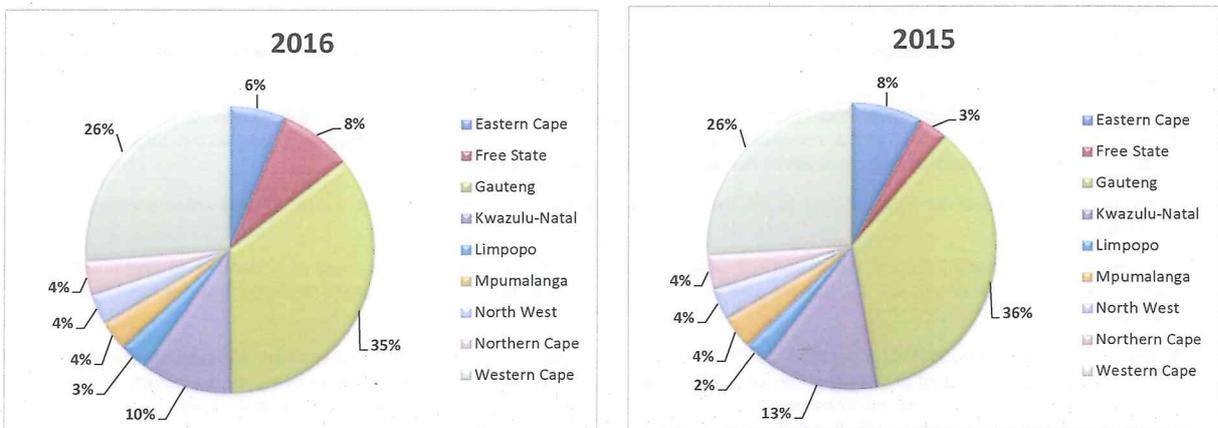
**Reinsurance strategy**

The company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The company buys a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure of the company on any one risk to less than 1.5% (2015:1.5%) of equity. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances.

**Concentrations of insurance risk and policies mitigating the concentrations**

Within the insurance business, concentrations of risk may arise where a particular event or series of events could impact heavily upon the company's resources. The company monitors the concentration risk by geographical area and class of business. Business is mainly carried on in South Africa. The company has exposure to all major lines of insurance business with very limited exposure to specialised areas of insurance.

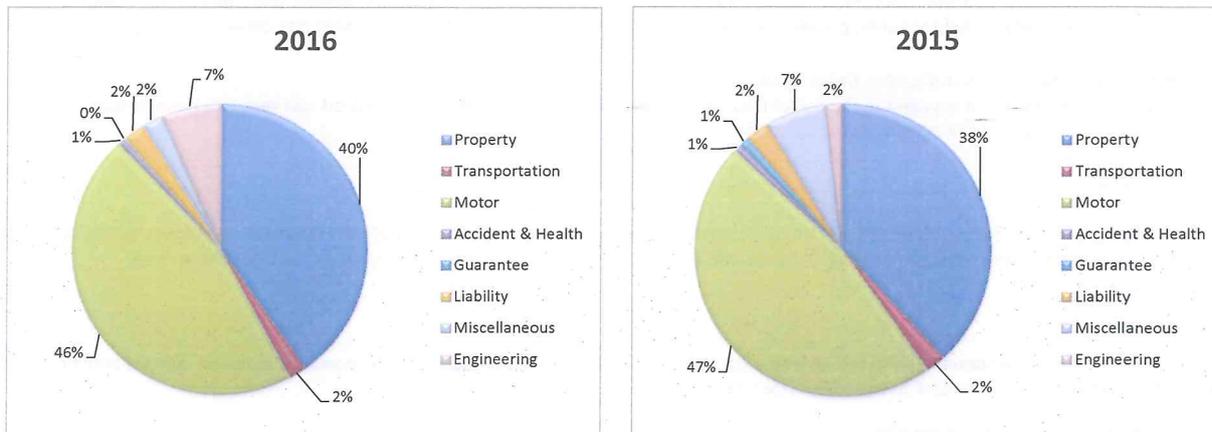
**Sum insured by geographical area**



4. MANAGEMENT OF RISK & CAPITAL (continued)

4.1.2 Risk that arises from insurance contracts (continued)

Gross premium by class of business



Exposure relating to catastrophe events

The company sets out the total aggregate exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes. The aggregate position is reviewed annually. The company uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes and the net exposure of the company.

The company considers that its most significant single loss would arise in the event of an earthquake in Gauteng. However, exposure to multiple storms in a single year can give rise to a higher net retained loss in severe years (1 in 200). The company's policies for mitigating catastrophe risk exposure include the use of both proportional and excess-of-loss reinsurance. In the event of a major catastrophe such as an earthquake in Gauteng, the net retained loss will represent only 2.1% of capital (2015: 2%). The additional reinstatement premiums could increase this to 5.1% (2015: 4.8%) of the company's capital. The company has purchased excess-of-loss reinsurance for catastrophe events that provides indemnity up to R3.93 billion (2015: R3.68 billion) and makes provision for multiple reinstatements of cover for multiple smaller events.

Measurement of insurance liabilities

The best estimate reserve represents the expected value of the insurance liabilities, essentially the mean in a range of possible outcomes in the development of unreported claims and the future development of notified claims. The explicit risk margins are added to the best estimate to reflect the uncertainty of the ultimate cost of claims. The risk margins are determined statistically such that the level of confidence on the adequacy of the reserves is 75%. The levels of the IBNR provisions and the risk margins are assessed annually by management against the company's past claims experience and adjusted if the experience indicates that the methodology is no longer appropriate. The aggregate of the best estimate reserve and risk margin is expressed as a percentage of premiums earned.

The methods applied by the company use historical claims development information and therefore the underlying bases assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business; and
- random fluctuations, including the impact of large losses.

Claims development

The company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The company is therefore exposed to the risk that claims reserves will not be adequate to fund historic claims (run-off risk). To manage run-off risk the company takes all the reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices. Consequently, the company has a history of positive claims development, i.e. the reserves created over time proved to be sufficient to fund the actual claims paid.

4. MANAGEMENT OF RISK & CAPITAL (continued)

4.1.2 Risk that arises from insurance contracts (continued)

The majority of the company's insurance contracts are classified as "short-tailed", meaning that any claim is settled within a year after the loss date. This contrasts with the "long-tailed" classes where the claims cost takes longer to materialise and settle. The company's long-tailed business is generally limited to liability, personal accident, third-party motor liability and certain engineering classes.

**Other risks and policies mitigating these risks**

Insurance companies are exposed to the risk of false, invalid and exaggerated claims. Sophisticated software and fraud detection measures are also in place to improve the company's ability to proactively detect fraudulent claims.

4.2 FINANCIAL RISK

Transactions in financial instruments result in the company assuming financial risks. These include market risk, credit risk and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the company manages these risks.

4.2.1 Market-risk

Market risk can be described as the risk of a change in the fair value or future cash flows of a financial instrument brought about by changes in interest rates, equity prices and foreign exchange rates.

**Equity price risk - Unlisted equities**

The company has investments in unlisted equities that are exposed to market risk. These are strategic investments in insurance related undertakings and subsidiaries. The unlisted equities are selected by management after consideration of the benefits and corresponding risk related to the investment.

**Equity price risk - Listed equities**

The company has investments in listed equities that are exposed to market risk. The listed equities are selected by management after consideration of the benefits and corresponding risk related to the investment.

**Interest rate risk**

Investment income on assets are exposed to interest rate movements and interest rate shocks may affect the market value of the investments.

**Foreign currency risk**

The company is exposed to foreign currency risk for transactions that are denominated in foreign currencies with transactions in United States Dollar the main currency impacting on the company. This exposure is limited to credit insurance, transactions with foreign reinsurers and equity investments in foreign companies.

The table below illustrates the split of assets and liabilities of the company per major currency.

	Assets Rm	2015 Liabilities Rm	Net Rm	Assets Rm	2014 Liabilities Rm	Net Rm
South African Rand	9 879	5 118	4 761	9 617	5 001	4 616
United States Dollar	88	39	49	220	187	33
	9 967	5 157	4 810	9 837	5 188	4 649

The following table represents the exchange rates used for foreign currency transactions:

	2016 Average ZAR	2015 Average ZAR	2016 Closing ZAR	2015 Closing ZAR
United States Dollar	14.7190	12.7411	13.9685	15.2814

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. MANAGEMENT OF RISK & CAPITAL (continued)

4.2.2 Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are:

- amounts due from insurance policyholders,
- amounts due from insurance contract intermediaries and third party recoveries,
- investments and cash and cash equivalents,
- reinsurers' share of general insurance liabilities, and
- amounts due from reinsurers and third parties in respect of claims already paid.

Exposures to individual policyholders, groups of policyholders and third parties are monitored as part of the credit control process. The company is also protected by guarantees provided by the intermediary guarantee facility for the non-payment of premiums collected by intermediaries.

Reputable financial institutions are used for investing and cash handling purposes. In excess of 52% of money market instruments and cash and cash equivalents are placed with institutions that have a national long-term credit rating of at least A.

Analysis of the credit quality and maximum exposure to credit risk of the financial assets

2016 Rm	AAA	AA	A	BBB and lower	Not rated	Total
Loans and advances					1	1
Reinsurers' share of outstanding claims		202	717	41	4	964
Investments and securities						
Long term loans					8	8
Unlisted empowerment private equity fund					19	19
Listed equity fund	20	241	149	230	885	1 525
Money market funds treated as investments	394	1 284	86	51	149	1 965
Insurance related receivables					1 011	1 011
Other receivables					553	553
Cash and cash equivalents		119				119
	414	1 846	952	322	2 630	6 165
<b>2015</b> Rm	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB and lower</b>	<b>Not rated</b>	<b>Total</b>
Loans and advances					2	2
Reinsurers' share of outstanding claims		152	447	40	19	658
Investments and securities						
Long term loans					8	8
Unlisted empowerment private equity fund					15	15
Money market funds treated as investments	155	546	2 329	37	154	3 221
Insurance related receivables					1 282	1 282
Other receivables					424	424
Cash and cash equivalents		445				445
	155	1 143	2 776	77	1 904	6 055

The assets analysed above are based on external credit ratings obtained from Fitch Ratings Inc and Moodys. The rating scales are based on long-term investment horizons under the following broad investment grade definitions:

- AAA** The financial instrument is judged to be of the highest quality, with minimal credit risk and indicates the best quality issuers that are reliable and stable.
- AA** The financial instrument is judged to be of high quality and is subject to very low credit risk and indicates quality issuers.
- A** The financial instrument is considered upper-medium grade and is subject to low credit risk although certain economic situations can more readily affect the issuers' financial soundness adversely than those rated AAA or AA.
- BBB** The financial instrument is subject to moderate credit risk and indicates medium class issuers which are currently satisfactory.
- Not Rated** This is where the exposure is not risk-rated in an active market, such as loans and advances and unlisted ordinary shares.

4. MANAGEMENT OF RISK & CAPITAL (continued)

Reinsurance

Under the terms of reinsurance agreements, reinsurers agree to reimburse the ceded amount in the event that a gross claim is paid.

When selecting a reinsurer the company considers its security. This is assessed from public rating information and from internal investigations. The company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The company has a Capital Management Committee that is responsible for setting the minimum security criteria for acceptable reinsurance and monitoring the purchase of reinsurance against those criteria.

The company held deposits of R525 million (2015: R391 million) as security for reinsurers' share of insurance contract provisions at the reporting date.

4.2.3 Liquidity risk

The company is exposed to daily cash calls mainly from claims arising. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The company sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand. Refer to note 14 for a detailed maturity analysis on general insurance liabilities.

4.2.4 Fair value hierarchy of assets carried at fair value

	Notes	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
<b>2016</b>					
Property and equipment	12		266		266
Investment in subsidiaries	7			2 076	2 076
Investment in associates	8			2	2
Interest in staff share trusts	9		529		529
Investments and securities	10	3 228	210	95	3 533
Unlisted ordinary shares				16	16
Long term loans			8		8
Unlisted empowerment private equity fund				19	19
Listed ordinary shares		1 525			1 525
Money market funds & securities treated as investments		1 703	202	60	1 965
<b>Financial assets at fair value</b>		<b>3 228</b>	<b>1 005</b>	<b>2 173</b>	<b>6 406</b>
<b>2015</b>					
Property and equipment	12		264		264
Investment in subsidiaries	7			1 931	1 931
Investment in associates	8			2	2
Interest in staff share trusts	9		624		624
Investments and securities	10	2 812	358	89	3 259
Unlisted ordinary shares				15	15
Long term loans			8		8
Unlisted empowerment private equity fund				15	15
Money market funds & securities treated as investments		2 812	350	59	3 221
<b>Financial assets at fair value</b>		<b>2 812</b>	<b>1 246</b>	<b>2 022</b>	<b>6 080</b>

Definitions:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 4. MANAGEMENT OF RISK & CAPITAL (continued)

#### 4.2.4 Fair value hierarchy of financial assets carried at fair value (continued)

##### Movement analysis of level 3 instruments

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:

	2016 Rm	2015 Rm
<b>Investment securities and subsidiary loans</b>		
Opening balance	2 022	1 055
Subsidiary fair value adjustment through profit or loss	( 44)	336
Acquisition of additional equity interest in subsidiary	190	602
Acquisition of associate	-	2
Investment and securities movement		
Revaluation of investments to fair value through profit or loss	1	1
Revaluation of money market instruments	4	26
Closing balance	<u>2 173</u>	<u>2 022</u>

##### Valuation assumptions

The unlisted ordinary shares are valued at fair value using discounted cash flows.

Subsidiary companies are valued using the discounted cash flow method for insurance operations and fair values for all other assets and liabilities as set out in note 7.

The unlisted empowerment private equity fund consists of cash and unlisted ordinary shares. The unlisted ordinary shares are shown at fair value which is calculated by reference to expected future cash flows, discounted by an applicable risk-adjusted discount rate for similar equity securities.

A sensitivity analysis performed on the investment in subsidiaries indicates that an increase of 10% in the discount rate will result in a maximum movement of 4% (2015: 8%) and a decrease will result in a movement of 6% (2015: 11%) in the calculated fair value.

Further information relating to investments and securities is contained in note 10 of the financial statements.

### 4.3 CAPITAL MANAGEMENT

For capital management purposes, the company targets the higher of a multiple of 1.3 times the solvency assessment and management's solvency capital requirements and the interim measures after spreading considered over a three year projection period. This implies that we hold a buffer over and above a 99.5% level of sufficiency.

The company is registered in South Africa, provides short-term insurance and submit quarterly and annual returns to the Financial Services Board in terms of the Short-term Insurance Act, 1998. The company is required to at all times to maintain a capital adequacy ratio as is calculated on the "interim measure" basis defined in the Short-term Insurance Act.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

	2016 Rm	2015 Rm
<b>5 AMOUNTS DUE FROM AGENTS AND REINSURERS</b>		
5.1 Agents' and reinsurers' balances represent receivables from agents and reinsurance companies.		
Agents balances	515	921
Reinsurance balances	204	157
Balance at the end of year	<u>719</u>	<u>1 078</u>
5.2 Portfolio impairment allowance		
Included in the agents' and reinsurers' balances is a portfolio impairment allowance for possible losses. Below is an analysis of the movement on the portfolio impairment allowance:		
Balance at the beginning of year	5	5
Change in profit or loss	-	-
Balance at the end of year	<u>5</u>	<u>5</u>
Balance at beginning of year		
Change in accounting policy		
<b>6 OTHER RECEIVABLES</b>		
Accrued interest	58	101
Prepayments	19	21
Amounts due from subsidiaries (note 7)	28	15
Value Added Taxation	309	263
Sundry debtors	139	74
	<u>553</u>	<u>474</u>
<b>7 INVESTMENT IN SUBSIDIARIES</b>		
Shares at cost	907	305
Acquisition of additional equity interest in subsidiary	190	602
Fair value adjustment	979	1 024
	<u>2 076</u>	<u>1 931</u>
Amounts due from subsidiaries (included in other receivables)	28	15
	<u>2 104</u>	<u>1 005</u>
Amounts due to subsidiaries (included in other payables)	( 50)	(35)
	<u>2 054</u>	<u>986</u>

The amounts owing by or to the company are not subject to interest. The amounts owing are unsecured and do not have fixed repayment terms.

**Purchase of Subsidiaries**

**Credit Guarantee Insurance Company Limited (CGIC)**

The Company acquired an additional 13.92% in Credit Guarantee Insurance Company Limited (CGIC) from Santam Limited. The acquisition of the additional interest resulted in the Company owning 100% of the issued share capital of CGIC on the effective date of 1 March 2016.

7 INVESTMENT IN SUBSIDIARIES (continued)

Valuation techniques and inputs

An annual valuation is performed by management and approved by the Mutual & Federal Capital Management Committee. The company has revalued the carrying value of subsidiaries using a discounted cash flow model ("DCF"), or shown these at net asset value ("NAV") if net asset value equates to fair value. This method is consistent with that applied in the previous year.

Refer to note 27 for a list of interests in subsidiaries.

Description		Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average Cost of Capital)
Investment in Subsidiaries	2016	R2 076 m	NAV and DCF	WACC	16.7% - 28.5%
	2015	R1 931 m	NAV and DCF	WACC	17% - 28.5%

8 INVESTMENT IN ASSOCIATE

The investment in Mercury Administrator and Underwriter Agency (pty) Ltd of 25% share is carried at cost which approximates the fair value of the investment at 31 December 2016.

	2016 Rm	2015 Rm
Investment at cost	2	2
Share of post-acquisition profit	-	-
Dividend received	-	-
	<u>2</u>	<u>2</u>

9 SHARE TRUSTS

9.1 INTEREST IN EMPLOYEE SHARE TRUSTS

The Mutual & Federal Management Incentive Trust and The Mutual & Federal Senior Black Management Trust (the staff share trusts) were set-up for the benefit of employees. Legally all shares are in the name of the trusts. The statement of financial position of the staff share trusts is set out below:

9.1.1 Financial information from the statement of financial position of employee share trusts:

	Closing Market Value per share R	Management Incentive Trust Rm	Senior Black Management Trust Rm	Total Rm
2016				
Investment in Old Mutual plc shares	34.44	416	132	548
Allocated		161	51	212
Unallocated		255	81	336
Other assets		41	100	141
Loan from Mutual & Federal		(98)	-	(98)
Other liabilities		(48)	(14)	(62)
<b>Total Net Asset Value</b>		<u>311</u>	<u>218</u>	<u>529</u>

	Closing Market Value per share R	Management Incentive Trust Rm	Senior Black Management Trust Rm	Total Rm
2015				
Investment in Old Mutual Plc shares	41.33	520	164	684
Allocated		167	53	220
Unallocated		353	111	464
Other assets		24	92	116
Loan from Mutual & Federal		(98)	-	(98)
Other liabilities		(57)	(21)	(78)
<b>Total Net Asset Value</b>		<u>389</u>	<u>235</u>	<u>624</u>

Valuation techniques and inputs

The value of these employee trusts are calculated using net asset value, as the net asset value approximates fair value. The listed Old Mutual plc shares are the majority investment in these trusts. The fair value of the shares is obtained from an active market.

9 SHARE TRUSTS (continued)

9.2 LOANS TO SHARE TRUSTS

	2016 Rm	2015 Rm
Loan to The Mutual & Federal Management Incentive Trust	98	98
Loan to The Mutual & Federal Black Broker Trust	14	14
Loan to The Mutual & Federal Management Incentive Trust (Namibia)	7	7
	<u>119</u>	<u>119</u>

The loans bears no interest. Dividends received from the surplus shares in the trusts and the strike price from share options exercised are used to repay the loans. The loans are secured by the underlying Old Mutual plc shares and are neither past due, nor impaired.

The objective of the Mutual & Federal Black Broker Trust is to provide or secure finance to or for black brokers wishing to develop brokerage businesses to service the short-term insurance market in South Africa, thus assisting with education and asset acquisition to commence operations in a productive manner.

10 INVESTMENTS AND SECURITIES

	2016 Rm	2015 Rm
<b>10.1 Investments and securities</b>		
Unlisted ordinary shares <sup>(1)</sup>	16	15
Long term loans <sup>(2)</sup>	8	8
Unlisted empowerment private equity fund <sup>(3)</sup>	19	15
Listed ordinary shares <sup>(4)</sup>	1 525	-
Money market funds and securities treated as investments <sup>(5)</sup>	1 965	3 221
	<u>3 533</u>	<u>3 259</u>

Notes:

- The carrying value of the unlisted ordinary shares is based on a valuation of their net assets and where appropriate an adjustment for systemic and non-systemic risk.
- The long term loans treated as investments are repayable annually until 2020. R4.7 million of the loans bear interest at a 2-3% discount to the prime lending rate, and R3 million of the loans are at an interest rate of 2%.
- The unlisted empowerment private equity fund represents black economic empowerment development investment policies with the Old Mutual Investment Group (Pty) Ltd.
- The fair value of the listed ordinary shares is based on a quoted market price in an active market of an identical instrument. The Protected Equity Portfolio comprises of two components: a protective derivative overlay portfolio and an underlying equity tracker portfolio that is intended to be passively managed relative to the SWIX benchmark. To enable the objective of ensuring a less than 10% maximum annual drawdown over a calendar year, a 12 month zero cost collar was used with a put option of 92.5%. R1.528 billion has been invested during 2016.
- The average interest on money market instruments earned during the year was 7.95% (2015: 6.8%) per annum.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

10 INVESTMENTS AND SECURITIES (continued)

10.2 Maturity profile for money market funds		Maturity in less than 3 months	Maturity of 3 months to 1 year	Maturity between 1 to 5 years	Total
2016		661	1 028	284	1 973
2015		480	2 036	713	3 229

10.3 Major equity investments		Maturity in less than 3 months	Maturity of 3 months to 1 year	Maturity between 1 to 5 years	Total
2016		-	1 525	-	1 525
2015		-	-	-	-

11 INTANGIBLE ASSETS

	Cost Rm	Amortisation Rm	Total Rm
Balance at 1 January 2015	750	(602)	148
Additions of internally developed software	36		36
Impairment / amortisation		(21)	(21)
Balance at 31 December 2015	786	(623)	163
Additions of internally developed software	14		14
Impairment / amortisation	(20)	(7)	(27)
Balance at 31 December 2016	780	(630)	150

12 PROPERTY AND EQUIPMENT

12.1 COMPANY ASSETS	Land and buildings Rm	Furniture and equipment Rm	Motor vehicles Rm	Computer equipment Rm	Total Rm
Balance at 1 January 2015	134	23	26	95	278
Cost	164	81	27	259	531
Accumulated depreciation	(30)	(58)	(1)	(164)	(253)
Net additions	2	1	(3)	76	76
Depreciation	(8)	(6)	(9)	(67)	(90)
Revaluation					
Balance at 31 December 2015	128	18	14	104	264
Cost	166	82	24	335	607
Accumulated depreciation	(38)	(64)	(10)	(231)	(343)
Net additions	-	-	-	45	45
Depreciation	(5)	(6)	(4)	(65)	(80)
Revaluation	37	-	-	-	37
Balance at 31 December 2016	160	12	10	84	266
Cost	165	75	24	380	644
Accumulated depreciation	(5)	(63)	(14)	(296)	(378)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 12 PROPERTY AND EQUIPMENT (continued)

Land and buildings comprise leasehold improvements and an office block situated on Erf 5230, 75 Helen Joseph Street, Johannesburg, Gauteng. The properties were acquired in 1998 for an amount of R85 million and in 1983 and was revalued by Mills Fitchet, an independent registered professional valuer at R165 million in June 2016. The valuation was based on market-related rentals discounted at an appropriate rate of return. The estimated useful life is 26 years for the building structure and 15 years for electrical engineering and 12 years for internal finishes. The effects of the changes in estimates are being accounted for prospectively.

The sectional title unit situated on Erf 198 Eros Park, Windhoek with a carrying value of R385 000 was disposed in May 2016 at a consideration of R1.4 million. The profit on sale is R1 million.

#### Valuation techniques and inputs

The Discounted Cash Flow (DCF) method was used to value the Head Office building. The valuation method takes into account the time value of money between the valuation date and the date when the income stream theoretically reverts to prevailing market levels. The property is valued by discounting the expected future net income for a specific period at an appropriate discount rate (or total rate of return) to give the present value (PV) of the expected net income cash flow. To this figure, an applicable final discounted residual or reversionary value is added. The net income is determined by taking into account the gross income, vacancies and lease obligations less normalised operating expenditure. Refer to the key valuation assumptions per the table below:

Description	Fair Value at 31 Dec 2016	Valuation Technique	Observable Input	Weighted Average Cost of Capital
Owner occupied fixed property	R 165 mil	Discounted Cash Flow Method	Long term net operating margin	16.50%
			Capitalisation Rate	10.50%

Description	Fair Value at 31 Dec 2013	Valuation Technique	Observable Input	Weighted Average Cost of Capital
Owner occupied fixed property	R 141.3 mil	Discounted Cash Flow Method	Long term net operating margin	17.25%
			Capitalisation Rate	10.75%

#### 12.2 HISTORICAL COST

If land and buildings were stated on the historical cost basis, which includes improvements, the amounts would be as follows:

- Cost
- Accumulated depreciation

	2016 Rm	2015 Rm
- Cost	159	159
- Accumulated depreciation	(103)	(95)
	<u>56</u>	<u>64</u>

### 13 DEFERRED TAXATION

Balance at beginning of year	58	90
Recognised in profit or loss	(26)	(32)
Balance at end of year	<u>32</u>	<u>58</u>

#### Analysis of major temporary differences

Post retirement medical aid provision	10	1
Other provisions and impairments	42	64
Revaluation of investments <sup>(1)</sup>	2	2
TIA software	(13)	(6)
Smoothed operating leases	4	4
UDZ Allowance	(12)	(6)
Motor Vehicle residual value	(2)	(2)
Additional wear and tear	1	1
	<u>32</u>	<u>58</u>

1. At the effective Capital Gains Taxation rate of 18.6% (2015: 18.6%).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

14 GENERAL INSURANCE LIABILITIES

	2016			2015		
	Gross Rm	Reinsurance Rm	Net Rm	Gross Rm	Reinsurance Rm	Net Rm
Unearned premiums	815	318	497	787	287	500
Outstanding claims	2 994	964	2 031	2 925	658	2 267
	<u>3 809</u>	<u>1 282</u>	<u>2 528</u>	<u>3 712</u>	<u>945</u>	<u>2 767</u>

	2016 Rm	2015 Rm
<b>Analysis of movements in net outstanding claims</b>		
Balance at beginning of year	2 267	2 215
Value Added Taxation	( 278)	(265)
	<u>1 989</u>	<u>1 950</u>
Current year claims reported	6 134	6 033
Change in previous years outstanding claims	( 450)	(413)
Current year claims paid	(4 924)	(4 703)
Previous year claims paid	(1 006)	( 883)
Foreign exchange movement	-	4
	<u>1 743</u>	<u>1 989</u>
Value Added Taxation	288	278
Balance at end of year	<u>2 031</u>	<u>2 267</u>

<b>Analysis of movements in gross unearned premium provision</b>		
Balance at beginning of year	787	799
Change to unearned premium provision	28	( 12)
Balance at end of year	<u>815</u>	<u>787</u>

<b>Analysis of movements in net unearned premium provision</b>		
Balance at beginning of year	500	518
Change to unearned premium provision	( 4)	(18)
Balance at end of year	<u>496</u>	<u>500</u>

**Maturity analysis of general insurance liabilities**

Based on actuarial modelling of historical and future expected trends, the company has estimated the probable cash outflows associated with gross general insurance liabilities on a best estimate basis, with no allowance for discounting of the cash flows or associated unallocated expenses to be incurred in the settlement of these cash-flows. The maturity analysis is set out below:

2016	Maturity between:			
	Less than 3 months Rm	3 months to 1 year Rm	1 to 5 years Rm	Total Rm
Unearned premiums	109	562	144	815
IBNR	217	89	99	404
Notified claims	1 391	568	631	2 590
	<u>1 717</u>	<u>1 219</u>	<u>874</u>	<u>3 809</u>

14 GENERAL INSURANCE LIABILITIES (continued)

Maturity analysis of general insurance liabilities (continued)

	Maturity between:			Total Rm
	less than 3 months Rm	3 months to 1 year Rm	1 to 5 years Rm	
2015				
Unearned premiums	94	504	189	787
IBNR	195	99	88	382
Notified claims	1 297	661	585	2 543
	<u>1 586</u>	<u>1 264</u>	<u>862</u>	<u>3 712</u>

14.1 Assumptions

Actuarial methods are used to estimate the ultimate cost of claims and there are underlying assumptions within these methods. These include the assumption that past experience is a reasonable guide for the future development of claims. In some classes of business, where processes / systems change, adjustments are made to the method in order to estimate the ultimate claims. The IBNR provision held is determined at the 75th percentile level of confidence for the majority of the business. Insurance assets and net of reinsurance IBNR based on interim measures are exceptions. A net of reinsurance IBNR as a percentage of earned premium is applied by for every class of business and a 5.0% (2015: 4.7%) figure has been used for 2016.

14.2 Sensitivity of assumptions

The table below demonstrates the before taxation profit impact of a hypothetical change in material assumptions:

	2016 Rm	2015 Rm
Calculating IBNR at an additional 1% of net earned premium	<u>77</u>	<u>81</u>

15 DEFINED BENEFIT PLAN - POST RETIREMENT MEDICAL AID

Balance at 31 December:

Present value of defined benefit obligation	200	183
Fair value of plan assets	( 166)	(187)
Net (asset) / liability	<u>35</u>	<u>( 4)</u>

15.1 Defined benefit plan obligation:

The company has an obligation to staff employed before 15 March 1999 for post retirement medical aid subsidies, in respect of retired and existing staff members. Per this plan the company has an obligation in respect of the post-retirement medical aid costs of the following members:

- current continuation members (i.e members who retired from the service of the employer or whose service was terminated by the employer on account of age, ill-health or other disability, and dependants of members who have died in service or after retirement); and
- future continuation members (i.e current in-service members who are eligible for an employer subsidy which are employees of Mutual & Federal Insurance Company Limited who joined prior to 15 March 1999, and who are currently members of the medical aid).

This defined benefit plan exposes the company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

The obligation is calculated using the projected unit credit method. The valuation date is 31 December 2016.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

15 DEFINED BENEFIT PLAN - POST RETIREMENT MEDICAL AID (continued)

15.2 Defined benefit plan asset:

This plan is administered by a single medical fund that is legally separated from the Group.

The company has provided for this liability towards the retired members by purchasing a Group Annuity policy from Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA), with the Medical Scheme being the beneficiary of the policy. The annuity policy is effectively an insurance policy with the below characteristics:

- the annuity guarantees the present value of the liability using CPI as the base for the escalating benefits in respect of existing
- the policy will take on the liability in respect of the in-service members employed before 15 March 1999 and a member of the designated fund, as and when they retire;
- the company will take on the shortfall between the actual subsidy increases and the CPI escalation that is declared each year; and
- to cater for the above shortfalls, additional premiums will be payable by the company in the future.

15.3 Movement in net post-retirement medical benefit liability:

	Defined benefit obligation		Fair value of reimbursement assets		Net post-retirement medical benefit liability	
	2016	2015	2016	2015	2016	2015
	Rm	Rm	Rm	Rm	Rm	Rm
Balance at 1 January	183	208	(187)	(211)	(4)	(4)
<b>Included in profit or loss:</b>	<b>20</b>	<b>20</b>	<b>(20)</b>	<b>(18)</b>	<b>-</b>	<b>2</b>
Current service cost	1	2	(1)	1	-	3
Interest cost / (income)	19	18	(19)	(19)	-	(1)
<b>Included in OCI:</b>	<b>12</b>	<b>(31)</b>	<b>28</b>	<b>31</b>	<b>41</b>	<b>-</b>
Actuarial (gain) / loss	12	(31)	28	31	41	-
<b>Other:</b>	<b>(15)</b>	<b>(13)</b>	<b>13</b>	<b>11</b>	<b>(2)</b>	<b>(2)</b>
Contributions paid by employer		-	(2)	(2)	(2)	(2)
Benefits paid	(15)	(13)	15	13	-	-
<b>Balance as at 31 December</b>	<b>200</b>	<b>183</b>	<b>(166)</b>	<b>(187)</b>	<b>35</b>	<b>(4)</b>

15.4 The principal actuarial assumptions used for accounting purposes were:

	2016	2015
	%	%
Discount rate		
In-service members	9.80%	11.25%
Continuation members	9.20%	11.25%
Medical inflation rate		
In-service members	8.60%	10.50%
Continuation members	8.10%	10.50%
Proportion of retiring members who are married	90.0%	85.0%
Retirement ages	62	62

Mortality Rates:		2016	2015
Pre-retirement (Per mortality tables)	In accordance with SA 85-90 (Light) ultimate table		SA56-62 Ultimate for males and for females rated down
Post-retirement (Per mortality tables)	PA90, adjusted for Old Mutual's experience and mortality improvements		a(55) Ultimate rated down 1 year

The valuation assumption on which the employer's liability is particularly dependant is the difference between the discount rate and the increase in the employer's subsidy.

A 1.0% decrease/(increase) in the discount rate will have the following impact:

		Change in discount rate			
		1% (2015: 0.5%)		1% (2015: 0.5%)	
		Decrease		Increase	
2016	Increase / (decrease in liability)	Rm	%	Rm	%
	In-service members	6.0	17.0%	(6.1)	17.0%
	Continuation members	14.8	9.0%	(13.2)	8.0%
2015	Increase / (decrease in liability)	9.0	4.9%	(8.0)	4.5%

The company expects to contribute approximately R nil (2015: R2 million) towards medical aid funds in accordance with post-retirement medical benefit obligations during 2017.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

16 SHARE-BASED PAYMENTS

	2016 Rm	2015 Rm
<b>16.1 Share-based payment expense</b>		
Employee share awards	1	63
<b>16.2 Share-based payment liability</b>		
Employee share awards	53	79

**16.3 Overview of the employee incentive programmes**

**16.3.1 The Mutual & Federal Management Incentive Scheme**

The primary purpose of the scheme is to attract, reward and retain senior and middle management. Restricted shares (RSP) are awarded to management for retention and attraction purposes.

**16.3.1 (i) Bonus Plan**

Between 40%-45% of an employees bonus after-tax is invested in Old Mutual Plc shares. The RSP shares are not subject to corporate performance targets ("CPTs") and will vest immediately, subject to the condition that the employee remains in the company's employment for a period of 3 years from grant date. Participants are paid dividends in respect of the RSP share awards and are entitled to exercise the voting rights in respect of the Old Mutual plc shares.

**16.3.1 (ii) Long-term incentive plan (LTIP)**

A once-off long-term incentive plan was awarded to key employees in 2014 who are critical to the company achieving its strategic and financial objectives over the next 3 years. The share awards are subject to employees' meeting CPTs and will be determined at the time of vesting based on multiples of the employees' total guaranteed pay.

As at 31 December 2016, the Company did not meet the required CPT's for the shares to vest, therefore the LTIP provision was released at year end.

**16.3.2 The Mutual & Federal Senior Black Management Incentive Scheme**

This scheme operates for the benefit of selected senior black management of the company for retention and attraction purposes.

**16.3.2 (i) Bonus Plan**

The RSP shares are not subject to corporate performance targets ("CPTs") and will vest immediately, subject to the condition that the employee remains in the company's employment for a period of 3 years from grant date. Participants are paid dividends in respect of the RSP share awards and are entitled to exercise the voting rights in respect of the Old Mutual plc shares. Between 40%-45% of an employees bonus after-tax bonus is invested in Old Mutual Plc shares.

**16.3.2 (ii) Retention plan**

RSP share awards are not subject to CPTs and will vest immediately, subject to the resolutive condition that the participant remains in employment for a period of time. Participants are paid dividends in respect of RSP share awards and are entitled to exercise the voting rights in respect of the Old Mutual plc shares. Participants may only take delivery of the shares at the following intervals: four years (one-third), five years (one-third) and six years (one-third).

**16.4 Mutual & Federal employee awards**

**16.4.1 Outstanding RSP awards**

	Management Incentive Schemes	Senior Black Management Schemes
At 1 January 2015	2 092 996	657 650
Number of shares granted	2 109 913	782 330
Number of shares vested / settled	( 964 790)	(34 669)
Forfeited due to resignations	(566 654)	(268 856)
At 31 December 2015	2 671 465	1 136 455
Number of shares granted	1 385 918	1 276 227
Number of shares vested / settled	( 461 538)	(138 542)
Forfeited due to resignations	(335 259)	(328 645)
<b>Total shares in issue at 31 December 2016</b>	<b>3 260 586</b>	<b>1 945 495</b>
	2016	2015
	R	R
Fair value of Old Mutual plc shares	34.44	41.33

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

17 SHARE CAPITAL AND SHARE PREMIUM

Total share capital of R1,797 million comprises R32 million share capital and R1,765 million share premium.  
 Authorised share capital comprises 350 million shares (2015: 350 million shares) with a par value of 10 cents each.  
 Issued share capital comprises 319,823,465 shares (2015: 319,823,465 shares) with a par value of 10 cents each.

	2016 Rm	2015 Rm
<b>18 INVESTMENT RETURNS</b>		
<b>18.1 Interest income</b>		
Loans and advances	-	1
Term loans and other	-	1
Investments and securities	163	237
Cash and cash equivalents	37	17
<b>Total interest income</b>	<b>200</b>	<b>255</b>
<b>18.2 Dividend income</b>		
Investments and securities	32	2
- Listed equities	30	-
- Unlisted equities	2	2
Subsidiary companies	-	59
<b>Total dividend income</b>	<b>32</b>	<b>61</b>
<b>18.3 Fair value gains and losses</b>		
Unrealised (loss) / gain	(107)	485
Fair value adjustment on subsidiaries	(44)	336
Revaluation of interest in share trust	(68)	127
Other unrealised gains through profit or loss	5	22
Realised (loss) / gain	(1)	79
Old Mutual shares	(2)	80
Gain / (loss) on disposal of investments	1	(1)
<b>Total fair value gains recognised in profit or loss</b>	<b>(108)</b>	<b>564</b>
<b>Total investment income</b>	<b>124</b>	<b>880</b>
<b>19 NET CLAIMS INCURRED</b>		
Gross	6 673	6 310
Claims paid	6 603	6 200
Change in provision for outstanding claims	70	110
Reinsurers' share	(979)	(672)
Claims paid	(673)	(614)
Change in provision for outstanding claims	(306)	(58)
Subrogation and salvage recoveries	(511)	(313)
Recoveries received	(424)	(337)
Change in receivable	(87)	25
	<b>5 183</b>	<b>5 325</b>
<b>Claims include:</b>		
Payments and provisions for insured policyholders	4 728	4 775
Claims administration expenses	455	550
	<b>5 183</b>	<b>5 325</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

	2016 Rm	2015 Rm
<b>20 ADMINISTRATION EXPENSES</b>		
<b>20.1 Management and claims administration expenses include:</b>		
Employee costs	1 070	1 125
Salaries	948	979
Employer contribution to defined contribution retirement and medical aid funds	2	3
Other	120	143
Share-based payments expense (refer to note 16.1)	1	63
Audit fees - audit services	11	6
Current year	6	5
Prior year	5	1
Non-audit fees paid to external auditors	-	-
Depreciation	80	90
Furniture and equipment	6	6
Land and buildings	5	8
Motor vehicles	4	9
Computer equipment	65	67
Amortisation and impairment of intangible assets	27	21
Impairment allowance utilised on amounts due from agents and reinsurers	-	-
Repairs and maintenance of property and equipment	2	3
Rentals under operating leases-property	36	44
Directors' emoluments	12	11
Executive Directors - for managerial remuneration	8	8
Non-executive Directors - for services as Directors	4	3

**20.2 Directors' and Public Officers' Emoluments**

	Fees [* Note 3] R'000	Basic salary R'000	Bonus [* Note 1] R'000	Pension contribution R'000	Other [*Note 2] R'000	Total R'000
<b>2016</b>						
R Snyders*	496	2 535	1 881	303	116	5 331
Paid by the company		2 535	1 881	303	116	4 835
Paid by group companies#	496					496
J van der Sandt*	471	2 388	886	66		3 811
Paid by the company	-	2 388	886	66		3 340
Paid by group companies#	471					471
G Palse#	351					351
Paid by the company	351					351
Paid by group companies	-					-
N P Dongwana <sup>+</sup>	478					478
MJ Harper <sup>+</sup>	1 066					1 066
P Rorich <sup>+</sup>	426					426
M Mia <sup>+</sup>	620					620
Paid by the company	620					620
Paid by group companies	-					0
PGM Truyens <sup>+</sup>	550					550
Paid by the company	550					550
Paid by group companies	-					-
P R E Tsukudu <sup>+</sup>	679					679
Paid by the company	382					382
Paid by group companies	297					297
	<b>5 137</b>	<b>4 923</b>	<b>2 767</b>	<b>369</b>	<b>116</b>	<b>13 312</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

20 ADMINISTRATION EXPENSES (continued)

20.2 Directors' and Public Officers' Emoluments (continued)

2015	Fees [* Note 3] R'000	Basic salary R'000	Bonus [* Note 1] R'000	Pension contribution R'000	Other [*Note 2] R'000	Total R'000
R Snyders*	514	2 429	1 744	290	93	5 070
Paid by the company	-	2 429	1 744	290	93	4 556
Paid by group companies#	514					514
J van der Sandt*	480	2 287	1 021	63		3 851
Paid by the company	-	2 287	1 021	63		3 371
Paid by group companies#	480					480
G Palser+#		2 509	2 450	298		5 257
Paid by the company						-
Paid by group companies		2 509	2 450	298		5 257
N P Dongwana+	451					451
MJ Harper+	1 006					1 006
P Rorich+	45					45
M Mia+	1 064					1 064
Paid by the company	584					543
Paid by group companies	480					397
PGM Truyens+	1 957					1 957
Paid by the company	518					518
Paid by group companies	1 439					1 439
P R E Tsukudu+	656					656
Paid by the company	359					359
Paid by group companies	297					297
	6 173	7 225	5 215	651	93	19 357

\* Executive director and prescribed officer

+ Non-executive director

# Remuneration payable to the company by whom the director is employed, and not to the individual.

§ Directors are not directors or prescribed officers of their respective employer. Therefore the remuneration received from their employers is not disclosed.

\*Note 1 - Bonuses are disclosed as received during the year as reported.

\*Note 2 - Included in other emoluments are share awards allocated to directors (refer to note 20.3), payments on resignation, medical aid and UIF payments.

\*Note 3 - There is no remuneration disclosed for R G Tomlison as no fees were paid and their employment are outside of South Africa.

20.3 Executive directors' Old Mutual Share Awards

2015	Issue Date	Vesting Date	Share Price (R)	Number of Shares Awarded
R Snyders*	8-Apr-2014	8-Apr-2017	34.44	19 244 *
	4-Aug-2014	5-Aug-2017	34.44	101 781 #
	16-Apr-2015	16-May-2018	34.44	95 720
	11-Mar-2016	11-Mar-2019	34.44	88 692
				<u>305 437</u>
J van der Sandt*	8-Apr-2014	8-Apr-2017	34.44	2 237 *
	4-Aug-2014	5-Aug-2017	34.44	62 200 #
	16-Apr-2015	16-May-2018	34.44	54 022
	11-Mar-2016	11-Mar-2019	34.44	51 954
	15-Aug-2016	15-Aug-2019	34.44	23 258 *
			<u>193 671</u>	

\* The share awards vest subject to the condition that the director remains in the company's employment for this period of time.

# Vesting is subject to certain performance targets being met.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

	2016 Rm	2015 Rm
<b>21 TAXATION</b>		
<b>21.1 South African and foreign</b>		
<b>Current</b>	68	84
Current year	62	88
Prior year	6	(4)
<b>Deferred</b>	26	32
Current year	26	32
Prior year	-	-
<b>Withholding tax</b>	(7)	1
Current year	(7)	1
	<u>87</u>	<u>117</u>
<b>21.2 Deferred taxation movement by major temporary difference</b>		
Assessed loss	-	114
Post retirement medical aid provision	(9)	-
Other provisions and impairments	22	(2)
Revaluation of investments	-	(100)
Other	13	20
	<u>26</u>	<u>32</u>
<b>21.3 Reconciliation of taxation rate</b>	%	%
Standard rate	28.0	28.0
Non-taxable income	2.3	(17.4)
Disallowed expenditure	5.1	2.7
Withholding tax	(2.7)	(0.7)
Prior year adjustment	2.2	(0.1)
Effective rate	<u>35.0</u>	<u>12.5</u>
<b>21.4 Taxation paid / (received)</b>	Rm	Rm
Balance payable at beginning year	2	10
Current taxation charged to profit or loss	68	84
Balance payable at end of year	(16)	(2)
	<u>54</u>	<u>92</u>
<b>22 CASH UTILISED IN OPERATIONS</b>		
<b>Profit before taxation</b>	249	930
<b>Adjusted for:</b>		
Investment income (net of investment costs)	(118)	(872)
Share-based payment expense	1	63
Increase / (decrease) in net insurance contract provisions	(240)	34
Increase / (decrease) in subrogation recoveries receivable	(88)	12
Decrease / (increase) in net deferred acquisition costs	(1)	5
Depreciation of property and equipment	80	90
Decrease / (increase) in net post retirement medical aid provision	-	(1)
Amortisation and impairment of intangible assets	27	21
Profit on sale of property and equipment	(3)	-
<b>Changes in working capital:</b>		
(Increase) / decrease in net agents' and reinsurers' balances	138	(64)
(Increase) / decrease in other receivables	(142)	(73)
(Decrease) / increase in deposits owing to reinsurers	134	(31)
Increase / (decrease) in other payables	(27)	13
	<u>10</u>	<u>127</u>

23 RELATED PARTY TRANSACTIONS

The company has a related party relationship with its holding company, subsidiaries, fellow subsidiaries, associate, directors and key management personnel and their close family members.

23.1 Transactions with entities in the Old Mutual group.

The company has balances receivable or payable with subsidiary companies. These balances are disclosed in note 27. The company, in the ordinary course of business, entered into various transactions with fellow subsidiary companies in the Old Mutual group including Nedbank Limited, Old Mutual South Africa Limited, Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA), Old Mutual Short-term Insurance (Botswana) Limited, Old Mutual Short-term Insurance (Namibia) Limited and Old Mutual Investment Group (Pty) Limited (OMIG).

	2016 Rm	2015 Rm
<b>Transactions with fellow subsidiaries:</b>		
Premium received for insurance cover	889	828
Interest received	27	11
Bank charges and administration fees paid	( 5)	( 5)
Claims incurred	( 590)	(452)
Investment management fees	( 6)	(8)
Acquisition costs	( 134)	(124)
<b>Transactions with holding company (and ultimate holding company):</b>		
Administration charge	( 68)	(30)
Dividend paid	-	(200)
<b>Transactions with subsidiaries:</b>		
<b>Credit Guarantee Insurance Corporation of Africa Limited</b>		
Dividend received	-	59
Reinsurance premiums	6	103
Reinsurance claims	( 12)	( 48)
Reinsurance commissions	-	( 46)
<b>Mutual &amp; Federal Risk Financing Limited</b>		
Dividend received	-	4
Reinsurance premiums	19	4
Reinsurance claims	6	6
Reinsurance commission	6	11
Administration expenses	27	15
<b>Receivables and (Payables):</b>		
Nedbank Limited - fellow subsidiary	66	113
OMLACSA - Post retirement medical aid asset	165	187
OMIG - Empowerment private equity	79	74
Old Mutual plc	( 1)	-
Old Mutual Short-term Insurance (Botswana) Limited	7	( 3)
Old Mutual Short-term Insurance (Namibia) Limited	29	( 4)
Loan to Director of subsidiary	1	1

24 OPERATING LEASE COMMITMENTS

The company leases certain of its office buildings and office equipment in terms of operating leases. The company does not have the option to acquire the assets upon termination of the lease.

Total future minimum lease payments under non-cancellable operating leases:

	55	41
Not later than 1 year	7	7
Between 1 and 5 years	48	34

25 GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of the business.

26 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No events occurred after the reporting period affecting the results for the year ended 31 December 2016.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

27 LIST OF INTERESTS IN SUBSIDIARIES

		Issued share capital		Fair value of shares in subsidiaries		Indebtedness by / (to) subsidiaries	
		2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>DIRECTLY HELD</b>							
Cougar Investment Holding Company Limited	(a)	10	10	120	99	( 50)	( 19)
Credit Guarantee Insurance Corporation of Africa Limited (2014:52.52%)	(b)	3	3	1 670	1 569	1	-
Mutual & Federal Risk Financing Limited	(b)	5	5	188	174	26	12
Mutual and Federal Zimbabwe (Private) Limited	# (a)	8	8	99	89		
Platin Underwriting Managers (Pty) Limited (40%)	(b)	-	-	( 1)	-	1	-
<b>INDIRECTLY HELD</b>							
Galilean Properties (Proprietary) Limited	(a)	29	29	46	42	-	-
<b>STRUCTURED VEHICLES</b>							
The Mutual & Federal Management Incentive Trust		-	-	-	-	98	99
The Mutual & Federal Senior Black Management Trust		-	-	-	-	-	-
The Mutual & Federal Black Broker Trust		-	-	-	-	14	14

Legend:

# Incorporated in Zimbabwe

All other subsidiaries are incorporated in South Africa.

(a) Investment company

(b) Short-term insurance

All holdings are 100% unless otherwise indicated.

28 LIST OF INTERESTS IN ASSOCIATES

	Fair value of shares in associates		Indebtedness by / (to) subsidiaries	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>DIRECTLY HELD</b>				
Mercury Administrator & Underwriter Agency ( Pty) Ltd (25%)	2	2	-	-

ANNEXURE 1 - EMPLOYMENT EQUITY REPORT

WORKFORCE PROFILE AND CORE AND SUPPORT FUNCTIONS

WORKFORCE PROFILE

A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	-	-	-	5	1	-	-	2	-	-	8
Senior management	4	2	11	30	6	2	2	12	3	-	72
Professionally qualified and experienced specialists and mid-management	18	8	26	73	24	14	30	55	8	1	257
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	177	130	69	148	163	159	77	254	5	3	1 185
Semi- skilled and discretionary decision making	154	69	24	18	224	141	32	61	1	-	724
Unskilled and defined decision making	-	-	-	-	1	-	-	1	-	-	2
<b>TOTAL PERMANENT</b>	<b>353</b>	<b>209</b>	<b>130</b>	<b>274</b>	<b>419</b>	<b>316</b>	<b>141</b>	<b>385</b>	<b>17</b>	<b>4</b>	<b>2 248</b>
Temporary employees	16	5	4	7	20	6	1	8	2	-	69
<b>GRAND TOTAL</b>	<b>369</b>	<b>214</b>	<b>134</b>	<b>281</b>	<b>439</b>	<b>322</b>	<b>142</b>	<b>393</b>	<b>19</b>	<b>4</b>	<b>2 317</b>

