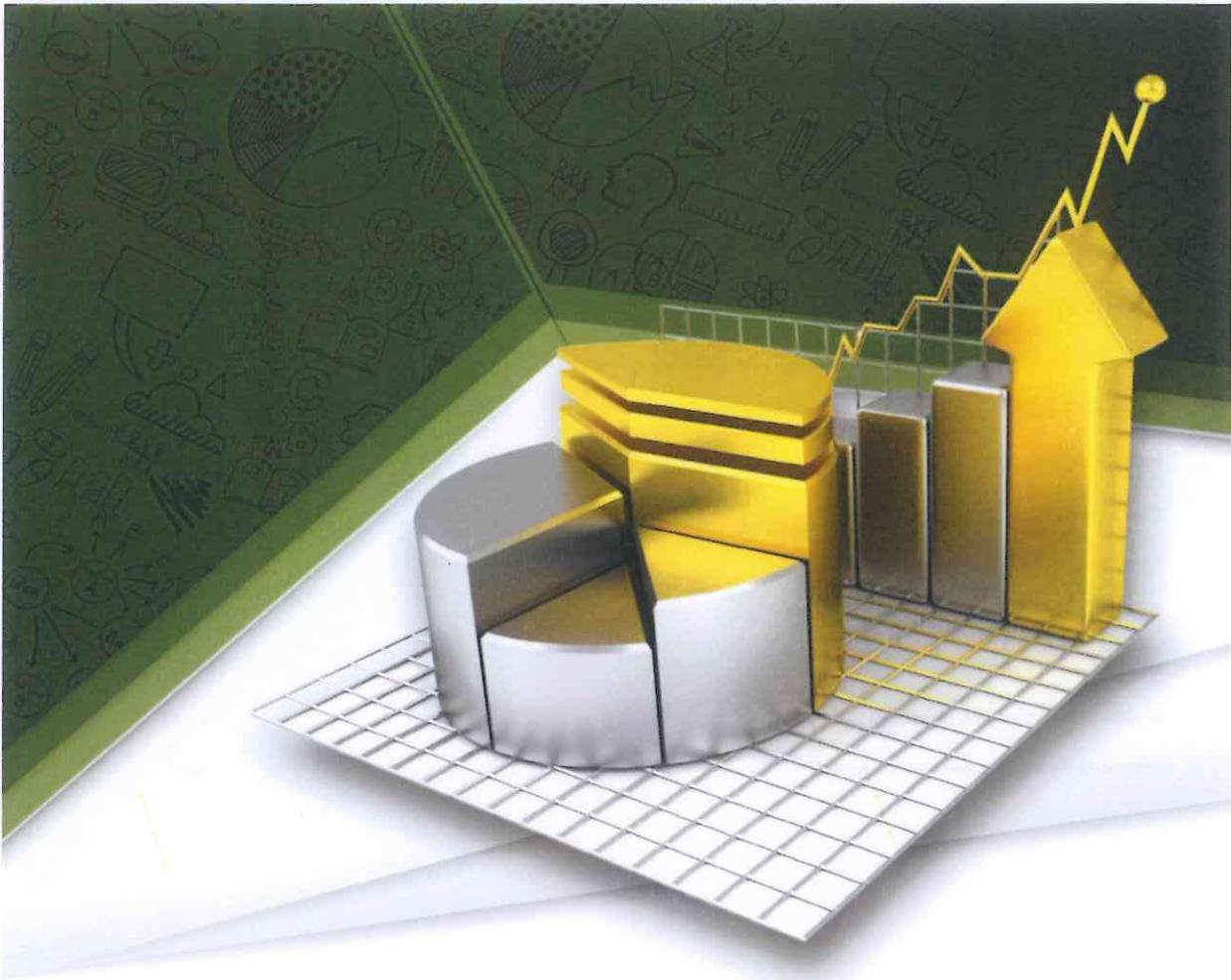


Mutual & Federal Insurance Company Limited

Annual Financial Statements 2015



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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 L Collins CA(SA) (Head of Financial and Regulatory Reporting), under the supervision of J Van der Sandt CA(SA) (Finance Director).

MUTUAL & FEDERAL INSURANCE COMPANY LIMITED

ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2015
(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 2015, 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.

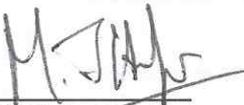
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk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

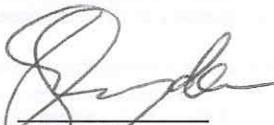
The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

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 10 February 2016 and signed on their behalf by:



M Harper
Chairman

R Snyders
Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE
For the year ended 31 December 2015

The audit committee is a committee 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 committee has:

- 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 committee, of executive directors and any other person who is not a member of the committee);
- reviewed the external auditor's management letter and management's response; and
- reviewed the credibility, independence and objectivity of the external auditor. The audit committee is satisfied that the external auditor is independent of the company for the 2015 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 2015, 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 committee



N Dongwana
Chairman
10 February 2016

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 2015, 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
10 February 2016

DIRECTORS' REPORT
For the year ended 31 December 2015

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 R200m (2014: R600m) for the year ended 31 December 2015.

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 2015.

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:	P Rorich	01 October 2015

The current directors of the company are as follows:

Name	Nationality	Permanent / rotation	Notice period	Retirement age
G A Klintworth	South African	Rotation #	1 Month	70
G Palser	South African	Rotation #	1 Month	70
J van der Sandt (Finance Director)	South African	Permanent	3 Months	62
M J Harper (Chairman)	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 Snyders (Chief Executive Officer)	South African	Permanent	3 Months	62

A third of the directors rotate each year.

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**

Report on the financial statements

We have audited the financial statements of Mutual & Federal Insurance Company Limited, which comprise the statement of financial position at 31 December 2015, the statements of comprehensive income, changes in equity and 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 as set out on pages 5 to 43.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Mutual & Federal Insurance Company Limited at 31 December 2015, 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.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2015, we have read the directors' report, the report of the audit committee and the certificate by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 45 years.

**KPMG Inc.
Registered Auditor**



Per T H Bashall
Chartered Accountant (SA)
Registered Auditor
Director
19 April 2016

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 Rm	2014 Rm
Gross written premiums		9 038	8 886
Less: Reinsurance premiums		956	1 012
Net written premiums		8 082	7 874
Change in provision for unearned premiums	14	18	19
Gross amount		16	99
Reinsurers' share		2	(80)
Earned premiums		8 100	7 893
Commission income from reinsurers		152	243
Investment returns	18	880	547
Net income		9 132	8 683
Net claims incurred	19	(5 325)	(5 469)
Gross amount		(5 997)	(6 086)
Reinsurers' share		672	617
Acquisition costs		(1 487)	(1 436)
Administration expenses	20	(1 391)	(1 258)
Investment costs		(8)	(9)
Foreign exchange gains		9	3
Profit before taxation		930	514
Taxation	21	(117)	(81)
Profit after taxation		813	433
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property	1.10	2	(6)
Actuarial gains on defined benefit plans	15	-	9
		2	3
Total comprehensive income for the year		815	436

STATEMENT OF FINANCIAL POSITION

at 31 December 2015

	Notes	2015 Rm	2014 Rm
ASSETS			
Intangible assets	11	163	148
Property and equipment	12	264	278
Deferred taxation assets	13	58	90
Investment in subsidiaries	7	1 931	993
Investment in associate	8	2	-
Interest in employee share trusts	9.1	624	535
Loans to share trusts	9.2	119	120
Loans and advances		2	3
Post-retirement medical benefit reimbursement asset	15	187	211
Deferred acquisition costs		132	140
Reinsurers' share of general insurance liabilities	14	945	881
Investments and securities	10	3 259	4 555
Amounts due from agents and reinsurers	5.1	1 078	743
Subrogation and salvage recoveries		204	216
Other receivables	6	424	354
Cash and cash equivalents		445	367
Total assets		9 837	9 634
LIABILITIES			
General insurance liabilities	14	3 712	3 614
Deferred reinsurance commission income		62	65
Deposits owing to reinsurers		391	422
Amounts due to agents and reinsurers		439	168
Post-retirement medical benefit liability	15	183	208
Taxation payable	21.4	2	10
Share based payment liability	16.2	79	820
Other payables		320	291
Total liabilities		5 188	5 598
EQUITY			
Share capital and share premium	17	1 797	1 797
Other reserves			
Property revaluation reserve		51	53
Retained income		2 801	2 186
Total equity		4 649	4 036
TOTAL LIABILITIES AND EQUITY		9 837	9 634

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Notes	Share capital and share premium Rm	Property revaluation reserve Rm	Retained income Rm	Total ordinary shareholders' equity Rm
Balance at 31 December 2013		1 797	61	2 714	4 572
Profit for the year				433	433
Other comprehensive income	11,15		(6)	9	3
Transfer from property revaluation to retained earnings	1.1		(2)	2	-
Disposal of subsidiary to holding company				(372)	(372)
Dividends paid				(600)	(600)
Balance at 31 December 2014		1 797	53	2 186	4 036
Profit for the year				813	813
Transfer from property revaluation to retained earnings	1.10		(2)	2	-
Dividends paid				(200)	(200)
Balance at 31 December 2015		1 797	51	2 801	4 649

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 Rm	2014 Rm
Cash flows from operating activities			
Cash generated by operating activities		351	190
Cash generated by operations	22	127	(139)
Investment income		316	291
Taxation (paid)/received	21.4	(92)	38
Cash flows from investing activities			
Cash (utilised in)/generated by investing activities		(74)	491
Development / acquisition of intangible assets	11	(36)	(53)
Acquisitions of property and equipment to maintain operations	12	(79)	(65)
Proceeds on the disposal of property and equipment		3	26
Acquisition of post retirement medical aid asset	15.3	(2)	(19)
Net repayments of loans and advances		1	-
Acquisition of additional equity interest in subsidiary	7	(602)	-
Acquisition of associate	8	(2)	-
Net proceeds of investments		643	602
Increase in amounts due to and from subsidiaries	7	13	39
Loan repayments from share trusts	9.2	1	10
Proceeds on settlement of Black business partner transaction	16	608	-
Acquisition of investments		(6 814)	(6 362)
Proceeds from disposal of investments		6 835	6 915
		277	681
Cash flows from financing activities			
Cash utilised in financing activities		(200)	(600)
Dividends paid		(200)	(600)
Net increase in cash and cash equivalents		77	81
Foreign exchange gain on cash and cash equivalents		1	3
Cash and cash equivalents at beginning of year		367	283
Cash and cash equivalents at end of year		445	367

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 and therefore the unearned premium provisions are released evenly over the period of insurance using a 365 day time proportionate basis. 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.

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.

Exchange differences arising on the translation of monetary items at rates different from those at which they were translated on initial recognition during the period are recognised in profit or loss in the period in which they arise.

1.9 Foreign currency translation

When a gain or loss on a non-monetary item is recognised in other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised in other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in South African Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.10 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	20 years
Buildings: Electrical equipment and internal finishes	10 years
Vehicles	5 years
Furniture & Fittings	6 years
Equipment	6 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)

1.10 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.

1.11 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 (2014: 2 to 5 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.

1.12 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 by the company are designated at fair value through profit or loss.

Other receivables

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

1. ACCOUNTING POLICIES (continued)

1.12 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.

1.13 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. Goodwill is tested annually for impairment.

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.

1.14 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.

1.15 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)

1.15 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.

1.16 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.

1.17 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)

1.18 Other 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.

1.19 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.

1.20 Business Acquisitions

Identifiable assets acquired and the liabilities assumed as part of a business acquisition are measured at the acquisition date at their fair values. The difference between the fair value of the consideration and the fair value of the identifiable net assets is recognised as goodwill or gain on bargain purchase. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts relating to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration is recognised in profit or loss.

1.21 Common control transactions

The company derecognises investments in subsidiaries that are transferred to fellow subsidiaries within the group upon loss of control. The entity accounts for the gain or loss on disposal, being the difference between carrying value and consideration received, as an equity distribution made.

1.22 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.

IAS 27: Equity Method in Separate Financial Statements.

The IASB issued Equity Method in Separate Financial Statements (Amendments to IAS 27) on 12 August 2014. The amendment reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

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 2016 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.

3. CATEGORISATION OF ASSETS AND LIABILITIES

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
ASSETS								
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
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
LIABILITIES								
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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3. CATEGORISATION OF ASSETS AND LIABILITIES (continued)

2014	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
ASSETS								
Intangible assets	11	148				148		148
Property and equipment	12	278				278		278
Deferred taxation assets	13	90				90		90
Investment in subsidiaries	7	993	993					993
Interest in staff share trusts	8	535	535				51	484
Loans to share trusts	9.2	120		120				120
Loans and advances		3		3			1	2
Post-retirement medical benefit reimbursement asset	15	211				211		211
Deferred acquisition costs		140				140	140	
Reinsurers' share of general insurance liabilities	14	881				881	703	178
Investments and securities	10	4 555	4 555	-		-	4 506	49
Unlisted ordinary shares		14	14					14
Long term loans		8	8					8
Unlisted empowerment private equity fund		2	2					2
Listed ordinary shares in holding company		1 297	1 297				1 297	
Money market funds and securities treated as investments		3 234	3 234				3 209	25
Amounts due from agents and reinsurers	5	743		743			743	
Subrogation and salvage recoveries		216				216	177	39
Other receivables	6	354		354			354	
Cash and cash equivalents		367		367			367	
		9 634	6 083	1 587	-	1 964	7 042	2 592
LIABILITIES								
General insurance liabilities	14	3 614				3 614	2 884	730
Deferred reinsurance commission income		65				65	65	
Deposits owing to reinsurers		422			422		422	
Amounts due to agents and reinsurers		168			168		168	
Post-retirement medical benefit liability	15	208				208		208
Taxation payable	21	10				10	10	
Share based payment liability	16	820				820	804	16
Other payables		291				291	291	
		5 598	-	-	590	5 008	4 644	954

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 company, 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.

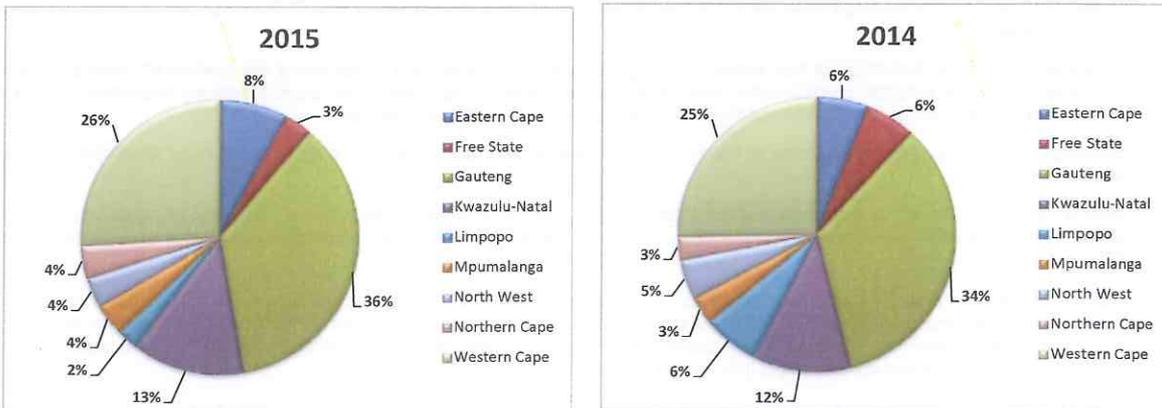
Reinsurance strategy

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% (2014:1.5%) of equity. In addition, underwriters are allowed to buy facultative reinsurance in certain specified

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

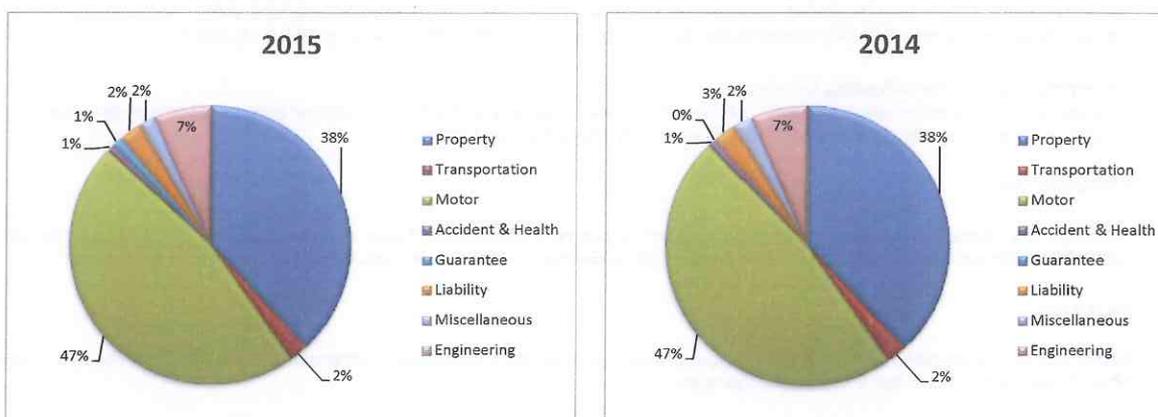


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4. MANAGEMENT OF RISK & CAPITAL (continued)

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 gives 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 less than 2% of company's equity (2014: 2%). The additional reinstatement premiums could increase this to 4.8% (2014: 4.5%) of the company's equity. The company has purchased excess-of-loss reinsurance for catastrophe events that provides indemnity up to R3.68 billion (2014: R3.68 billion) and makes provision for multiple reinstatements of cover for 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.

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.

	2015			2014		
	Assets Rm	Liabilities Rm	Net Rm	Assets Rm	Liabilities Rm	Net Rm
South African Rand	9 617	5 001	4 616	9 581	5 584	3 997
United States Dollar	220	187	33	53	14	39
	9 837	5 188	4 649	9 634	5 598	4 036

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

	2015 Average ZAR	2014 Average ZAR	2015 Closing ZAR	2014 Closing ZAR
United States Dollar	12.7411	10.8394	15.2814	11.5994

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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 94% 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

2015 Rm	AAA	AA	A	BBB and lower	Not rated	Total
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

2014 Rm	AAA	AA	A	BBB and lower	Not rated	Total
Loans and advances					3	3
Reinsurers' share of outstanding claims		94	348	100	58	600
Investments and securities						
Long term loans					8	8
Unlisted empowerment private equity fund					2	2
Money market funds treated as investments	725	1 670	285		554	3 234
Insurance related receivables					959	959
Other receivables					354	354
Cash and cash equivalents		367				367
	725	2 131	633	100	1 938	5 527

The assets analysed above are based on external credit ratings obtained from Fitch Ratings Inc. 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.

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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 R391 million (2014: R422 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
2015					
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	366	119	3 297
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	358	89	3 259
Financial assets at fair value		2 812	1 254	2 052	6 118
2014					
Property and equipment	12		278		278
Investment in subsidiaries	7			993	993
Interest in staff share trusts	9		535		535
Investments and securities	10	4 485	8	62	4 555
Unlisted ordinary shares				14	14
Long term loans			8		8
Unlisted empowerment private equity fund				2	2
Listed ordinary shares in holding company		1 297			1 297
Money market funds & securities treated as investments		2 779	417	62	3 258
Financial assets at fair value		4 485	821	1 055	6 361

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 2015

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:

	2015 Rm	2014 Rm
Investment securities and subsidiary loans		
Opening balance	1 055	1 216
Subsidiary fair value adjustment through profit or loss	336	(155)
Acquisition of additional equity interest in subsidiary	602	
Acquisition of associate	2	
Investment and securities movement		
Revaluation of investments to fair value through profit or loss	1	(4)
Revaluation of money market instruments	26	2
Closing balance	<u>2 022</u>	<u>1 055</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 8% (2014: 7%) and a decrease will result in a movement of 11% (2014: 10%) 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 2015

	2015 Rm	2014 Rm
5 AMOUNTS DUE FROM AGENTS AND REINSURERS		
5.1 Agents' and reinsurers' balances represent receivables from agents and reinsurance companies.		
Agents balances	921	740
Reinsurance balances	157	3
Balance at the end of year	<u>1 078</u>	<u>743</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	6
Change in profit or loss	-	(1)
Balance at the end of year	<u>5</u>	<u>5</u>
6 OTHER RECEIVABLES		
Accrued interest	101	67
Prepayments	21	25
Amounts due from subsidiaries (note 7)	15	12
Value Added Taxation	263	238
Other receivables	74	12
	<u>474</u>	<u>354</u>
7 INVESTMENT IN SUBSIDIARIES		
Shares at cost	305	305
Acquisition of additional equity interest in subsidiary	602	-
Fair value adjustment	1 024	688
	<u>1 931</u>	<u>993</u>
Amounts due from subsidiaries (included in other receivables)	15	12
	<u>1 946</u>	<u>1 005</u>
Amounts due to subsidiaries (included in other payables)	(35)	(19)
	<u>1 911</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 33.56% in Credit Guarantee Insurance Company Limited (CGIC) from Santam Limited. The acquisition of the additional interest resulted in the Company owning 86.08% of the issued share capital of CGIC on the effective date of 5 October 2015.

Platin Underwriting Managers (Pty) Limited (PlatinUM).

The Company acquired a 40% equity interest in Platin Underwriting Managers (Pty) Ltd (PlatinUM), an insurance underwriting management agency, on 24 August 2015 at no cost. Based on the contract arrangement, the Company has power over the business operations and returns of PlatinUM and therefore exercises control over the company, even though it holds less than half of its voting rights.

The acquired investment was measured at fair value at the date of initial recognition.

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. The DCF methodology has changed from prior year where previously a simplified DCF model was used. The simplified model used the net asset value of the company, adjusted for net present value of the forecasted insurance income over the next 5 years. The new methodology takes into account the perpetual value of the company and is considered best practice.

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

The impact of the change in valuation method is as follows:

	2015		Increase/ (decrease) in fair value adjustment Rm
	New method	Previous method	
	Rm	Rm	
Credit Guarantee Insurance Company Limited	1 569	1 057	512
Mutual & Federal Risk Financing Limited	174	250	(76)
Cougar Investment Holding Company Limited #	99	99	-
Mutual and Federal Zimbabwe (Private) Limited #	89	89	-
	<u>1 931</u>	<u>1 495</u>	<u>436</u>

Description		Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average Cost of Capital)
Investment in Subsidiaries	2015	R1 931 m	NAV and DCF	WACC	17% - 28.5%
	2014	R 993 m	NAV and simplified DCF	WACC	18% - 28%

The valuation method is at NAV which equates to the fair value of the company. Mutual & Federal Zimbabwe is further impaired by 50% due to the risk of the indiginisation in Zimbabwe.

8 INVESTMENT IN ASSOCIATE

Investment at cost

2015 Rm	2014 Rm
2	-

Investment in associate

The company acquired 25% of Mercury Administrator and Underwriter Agency (Pty) Ltd in July 2015 from Futurum Financial Group (Pty) Ltd and Komaro Shares Trust for a cash amount of R1.6 million.

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
2015				
Investment in Old Mutual plc shares	41.30	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)
Total Net Asset Value		<u>389</u>	<u>235</u>	<u>624</u>

9 SHARE TRUSTS (continued)

9.1 INTEREST IN EMPLOYEE SHARE TRUSTS (continued)

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

	Closing Market Value per share R	Management Incentive Trust Rm	Senior Black Management Trust Rm	Total Rm
2014				
Investment in Old Mutual Plc shares	34.70	467	139	606
Allocated		179	53	232
Unallocated		288	86	374
Other assets		10	85	95
Loan from Mutual & Federal		(99)	-	(99)
Other liabilities		(48)	(19)	(67)
Total Net Asset Value		330	205	535

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.

9.2 LOANS TO SHARE TRUSTS

	2015 Rm	2014 Rm
Loan to The Mutual & Federal Management Incentive Trust	98	99
Loan to The Mutual & Federal Black Broker Trust	14	14
Loan to The Mutual & Federal Management Incentive Trust (Namibia)	7	7
	119	120

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

10.1 Investments and securities

	2015 Rm	2014 Rm
Unlisted ordinary shares ⁽¹⁾	15	14
Long term loans ⁽²⁾	8	8
Unlisted empowerment private equity fund ⁽³⁾	15	2
Investment in Old Mutual plc shares: Black business partners ⁽⁴⁾	-	1 297
Money market funds and securities treated as investments ⁽⁵⁾	3 221	3 234
	3 259	4 555

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.
- Old Mutual plc acquired the Mutual & Federal minority shares and as a result the Mutual & Federal shares held by the black business partner trusts were exchanged for Old Mutual plc shares on the effective date of the transaction being 8 February 2010. Consequently the black business partner schemes were converted to cash-settled schemes. All shares were disposed of during April 2015 upon the vesting of the black business partners agreement.
- The average interest on money market instruments earned during the year was 6.8% (2014: 6.31%) per annum.

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
	2015	480	2 036	705	3 221
	2014	1 157	1 356	721	3 234

10.3 Major equity investments

The company does not hold any major equity investments following the vesting of the black business partners agreement in 2015.

11 INTANGIBLE ASSETS

	Cost Rm	Amortisation Rm	Total Rm
Balance at 1 January 2014	697	(558)	139
Additions of internally developed software	53		53
Impairment / amortisation		(44)	(44)
Balance at 31 December 2014	750	(602)	148
Additions of internally developed software	36		36
Impairment / amortisation		(21)	(21)
Balance at 31 December 2015	786	(623)	163

The average useful life of intangibles has been increased to 10 years (2014: 5 years)

Change in estimate of average useful life

Historically, the company amortised software applications over an expected useful life of five years. During 2015 the company reviewed the useful life of its single product administration system. Within the OMEM group it is policy to amortise the policy administration system over a ten year lifespan. It is unlikely that the company will replace the product administration system for at least the next ten years and as a result the expected useful life of the product administration has increased to ten years.

The effects of the change in estimated useful life has been accounted for prospectively. The effect of the change in useful life has resulted in a R21 million reduction in the amortisation costs for the year, from what it would have been had the useful life remained at 5 years.

12 PROPERTY AND EQUIPMENT

12.1	COMPANY ASSETS	Land and buildings Rm	Furniture and equipment Rm	Motor vehicles Rm	Computer equipment Rm	Total Rm
Cost or fair value						
	Balance at 1 January 2014	174	89	75	474	812
	Additions	3	2		60	65
	Disposals	(6)	(10)	(35)	(275)	(326)
	Balance at 31 December 2014	171	81	40	259	551
	Additions	2	1	-	76	79
	Disposals	-	-	(16)	-	(16)
	Balance at 31 December 2015	173	82	24	335	614
Accumulated depreciation						
	Balance at 1 January 2014	(27)	(61)	(23)	(382)	(493)
	Depreciation	(10)	(7)	(17)	(57)	(91)
	Disposals	-	10	26	275	311
	Balance at 31 December 2014	(37)	(58)	(14)	(164)	(273)
	Depreciation	(8)	(6)	(9)	(67)	(90)
	Disposals	-	-	13	-	13
	Balance at 31 December 2015	(45)	(64)	(10)	(231)	(350)
Net book value						
	Balance at 1 January 2014	147	28	52	92	319
	Net additions	(3)	2	(9)	60	50
	Depreciation	(10)	(7)	(17)	(57)	(91)
	Balance at 31 December 2014	134	23	26	95	278
	Net additions	2	1	(3)	76	76
	Depreciation	(8)	(6)	(9)	(67)	(90)
	Balance at 31 December 2015	128	18	14	104	264

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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 as well as a sectional title unit situated on Erf 198 Eros Park, Windhoek. These properties were acquired in 1998 for an amount of R85 million and in 1983 for an amount of R59 000 respectively. The Johannesburg property was revalued by Mills Fitchet, an independent registered professional valuer at R141.3 million in October 2013. The valuation was based on market-related rentals discounted at an appropriate rate of return. The estimated useful life is 20 years for the building structure and 15 years for electrical engineering and internal finishes. The effects of the changes in estimates are being accounted for prospectively.

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 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

	2015 Rm	2014 Rm
If land and buildings were stated on the historical cost basis, which includes improvements, the amounts would be as follows:		
- Cost	159	157
- Accumulated depreciation	(95)	(88)
	<u>64</u>	<u>69</u>

13 DEFERRED TAXATION

Balance at beginning of year	90	158
Recognised in profit or loss	(32)	(68)
Balance at end of year	<u>58</u>	<u>90</u>
Analysis of major temporary differences		
Calculated loss	-	114
Post retirement medical aid provision	1	1
Other provisions and impairments	64	62
Revaluation of investments ⁽¹⁾	2	(98)
Other	(9)	11
	<u>58</u>	<u>90</u>

1. At the effective Capital Gains Taxation rate of 18.6% (2014: 18.6%).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2015

14 GENERAL INSURANCE LIABILITIES

	Gross Rm	2015 Reinsurance Rm	Net Rm	Gross Rm	2014 Reinsurance Rm	Net Rm
Unearned premiums	787	287	500	799	281	518
Outstanding claims	2 925	658	2 267	2 815	600	2 215
	<u>3 712</u>	<u>945</u>	<u>2 767</u>	<u>3 614</u>	<u>881</u>	<u>2 733</u>

Analysis of movements in net outstanding claims

	2015 Rm	2014 Rm
Balance at beginning of year	2 215	2 596
Value Added Taxation	(265)	(301)
	<u>1 950</u>	<u>2 295</u>
Current year claims reported	6 033	6 164
Change in previous years outstanding claims	(413)	(381)
Current year claims paid	(4 702)	(4 522)
Previous year claims paid	(883)	(1 606)
Foreign exchange movement	4	-
	<u>1 989</u>	<u>1 950</u>
Value Added Taxation	278	265
Balance at end of year	<u>2 267</u>	<u>2 215</u>

Analysis of movements in gross unearned premium provision

Balance at beginning of year	799	898
Change to unearned premium provision	(16)	(99)
Foreign exchange movement	4	-
Balance at end of year	<u>787</u>	<u>799</u>

Analysis of movements in net unearned premium provision

Balance at beginning of year	518	538
Change to unearned premium provision	(18)	(19)
Foreign exchange movement	-	(1)
Balance at end of year	<u>500</u>	<u>518</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:

2015	Maturity between:			Total Rm
	Less than 3 months Rm	3 months to 1 year Rm	1 to 5 years Rm	
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>

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14. GENERAL INSURANCE LIABILITIES (continued)

Maturity analysis of general insurance liabilities (continued)

2014	Maturity between:			Total Rm
	less than 3 months Rm	3 months to 1 year Rm	1 to 5 years Rm	
Unearned premiums	88	487	224	799
IBNR	216	138	78	432
Notified claims	1 192	763	429	2 384
	1 496	1 388	731	3 615

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. Judgement is applied where needed, but the methods are reviewed by the statutory actuary and external auditors for reasonability. The IBNR provision held is determined at the 75th percentile level of confidence for the majority of the business. Insurance assets and IBNR based on interim measures are exceptions. An IBNR as a percentage of earned premium is applied by class of business and a 4.7% (2014: 4.8%) figure has been used for 2015.

14.2 Sensitivity of assumptions

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

	2015 Rm	2014 Rm
Calculating IBNR at an additional 1% of net earned premium	81	79

15. DEFINED BENEFIT PLAN - POST RETIREMENT MEDICAL AID

Balance at 31 December:

Present value of defined benefit obligation	183	208
Fair value of plan assets	(187)	(211)
Net (asset) / liability	(4)	(3)

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 2015.

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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 retirees only;
- 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	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Balance at 1 January	208	217	(211)	(192)	(3)	25
Included in profit or loss:	19	13	(14)	13	5	26
Current service cost	1	2	5	-	6	2
Interest cost / (income)	18	11	(19)	13	(1)	24
Included in OCI:	(31)	(9)	31	-	-	(9)
Actuarial (gain) / loss	(31)	(9)	31	-	-	(9)
Other:	(13)	(13)	11	(32)	(2)	(45)
Contributions paid by employer	-	-	(2)	(19)	(2)	(19)
Benefits paid	(13)	(13)	13	(13)	-	(26)
Balance as at 31 December	183	208	(183)	(211)	-	(3)

15.4 The principal actuarial assumptions used for accounting purposes were:

	2015 %	2014 %
Discount rate	11.25%	9.0%
Inflation	8.5%	6.5%
Medical inflation	10.5%	6.4%
Retirement ages	62	62

Mortality Rates:

Pre-retirement (Per mortality tables)	Post-retirement (Per mortality tables)
SA56-62 Ultimate for males and for females rated down 3 years	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.

The assumptions used in 2015 assume a 3.75% (2014: 2.5%) difference between the discount rate and the increase in the employer's subsidy for table members and 0.75% (2014:-0.5%) for fixed percentage members. A 0.5% decrease/(increase) in the discount rate will have the following impact:

	Increase / (decrease in liability)	Rm	Change in discount rate	
			0.5% Decrease	0.5% Increase
2015			9	(8)
		%	4.9%	(4.5%)
2014			12	(11)
		%	5.6%	(5.1%)

The company expects to contribute approximately R2 million towards medical aid funds in accordance with post-retirement medical benefit obligations during 2016.

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16 SHARE-BASED PAYMENTS

	2015 Rm	2014 Rm
16.1 Share-based payment expense		
Employee share awards	63	39
16.2 Share-based payment liability		
Employee share awards	79	54
Black business partners	-	766
	<u>79</u>	<u>820</u>

The Black business partners comprise the Wiphold and Mtha Consortia, who acquired 3.5% and 0.5% respectively of the Company's issued capital in 2005. The Company's share capital was then converted into Old Mutual plc shares in 2010. The 10 year agreement between the Company and its Black business partners vested during 2015. A notional funding amount of R232 million at inception, based on the original fair value of the shares, increased based on the funding rate to R537 million in 2015. During the year the Company called 15 893 081 shares in settlement of this notional amount. The remaining 21 886 060 shares in Old Mutual plc vested in the name of the Black business partners at the fair value on settlement date of R35.36.

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

A once-off long-term incentive plan was awarded to key employees in 2014 who are critical to the company achieving it's 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.

16.3.1 (iii) Long-term incentive plan (Key personnel)

A long-term incentive plan is awarded to key employees who are critical to the company achieving it's strategic and financial objectives over the next 6 years. The shares will be awarded in three equal tranches from 2014 until 2016. The share awards are subject to employees meeting CPT's.

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 resolute 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 SHARE-BASED PAYMENTS (continued)

16.4 Mutual & Federal employee awards

16.4.1 Outstanding options

A share-based payment expense and liability are calculated at fair value with the following inputs to the Black Scholes model:

	Employee share trusts		Black business partners	
	2015	2014	2015	2014
Spot price per share	R41.33	R34.70	-	R34.70
Risk free interest rate	5% - 9%	5% - 9%	-	5.0%
Dividend yield	3% - 4%	3% - 4%	-	3.0%
Volatility	22.89% - 50%	22.89% - 50%	-	22.9%
Exercise date	8/4/2016 to 10/9/2021	7/2/2014 to 8/8/2017	-	1/1/2015

	Number of share options	Weighted average exercise price R
The Mutual & Federal Management Incentive Scheme		
At 1 January 2014	88 117	10.85
Exercised during the year	(63 361)	10.40
At 31 December 2014	24 756	7.83
Exercised during the year	(8 512)	7.80
Forfeited during the year	(16 244)	-
At 31 December 2015	-	-

Share options granted had certain service conditions, however, they contained no market conditions. The last share options vested in 2012. All share options have been exercised and no further allocations have been made to employees. The weighted average share price at the date of exercise for share options exercised in 2015 was R35.99.

16.4.2 Outstanding RSP awards

	Management Incentive Schemes	Senior Black Management Schemes
At 1 January 2014	3 542 922	620 513
Number of shares granted	619 906	199 544
Number of shares vested / settled	(1 611 973)	(69 228)
Forfeited due to resignations	(457 859)	(93 179)
At 31 December 2014	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)
Total shares in issue at 31 December 2015	2 671 465	1 136 455
	2015	2014
Fair value of Old Mutual plc shares	R 41.33	R 34.70

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 (2014: 350 million shares) with a par value of 10 cents each.
 Issued share capital comprises 319,823,465 shares (2014: 319,823,465 shares) with a par value of 10 cents each.

	2015 Rm	2014 Rm
18 INVESTMENT RETURNS		
18.1 Interest income		
Loans and advances	1	1
Term loans and other	1	1
Investments and securities	237	219
Cash and cash equivalents	17	15
Total interest income	255	235
18.2 Dividend income		
Investments and securities	2	41
- Listed equities	-	3
- Unlisted equities	2	38
Subsidiary companies	59	53
Total dividend income	61	94
18.3 Fair value gains and losses		
Unrealised gain	485	221
Fair value adjustment on subsidiaries	336	198
Fair value adjustment on sale of subsidiaries	-	18
Namibia loan impairment	-	(6)
Loss on sale of subsidiaries	-	(1)
Revaluation of interest in share trust	127	(13)
Other unrealised gains through profit or loss	22	60
Net unrealised gain/(loss) on black business partners' agreement	-	(35)
Realised gains/(losses)	79	(3)
Old Mutual shares	80	(3)
Loss on disposal of investments	(1)	-
Total fair value gains recognised in profit or loss	564	218
Total investment income	880	547
19 NET CLAIMS INCURRED		
Gross	6 310	6 404
Claims paid	6 200	6 711
Change in provision for outstanding claims	110	(307)
Reinsurers' share	(672)	(617)
Claims paid	(614)	(583)
Change in provision for outstanding claims	(58)	(34)
Subrogation and salvage recoveries	(313)	(318)
Recoveries received	(337)	(310)
Change in receivable	25	(8)
	5 325	5 469
Claims include:		
Payments and provisions for insured policyholders	4 775	4 964
Claims administration expenses	550	505
	5 325	5 469

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2015

	2015 Rm	2014 Rm
20 ADMINISTRATION EXPENSES		
20.1 Management and claims administration expenses include:		
Employee costs	1 125	1 049
Salaries	979	901
Employer contribution to defined contribution retirement and medical aid funds	3	10
Other	143	138
Share-based payments expense (refer to note 16.1)	63	39
Non-audit fees paid to external auditors	-	1
Depreciation	90	91
Furniture and equipment	6	7
Land and buildings	8	10
Motor vehicles	9	17
Computer equipment	67	57
Amortisation and impairment of intangible assets	21	44
Repairs and maintenance of property and equipment	3	3
Rentals under operating leases-property	44	55
Directors' emoluments	11	9
Executive Directors - for managerial remuneration	8	6
Non-executive Directors - for services as Directors	3	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
2015						
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	-	5257
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	-	-	-	-	584
Paid by group companies	480	-	-	-	-	480
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2015

20 ADMINISTRATION EXPENSES (continued)

20.2 Directors' and Public Officers' Emoluments (continued)

2014	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*	545	2 413	556	278	8	3 800
Paid by the company		2 413	556	278	8	3 255
Paid by group companies	545					545
J van der Sandt*	171	2 140	614	59		2 984
Paid by the company		2 140	614	59		2 813
Paid by group companies	171					171
G Palser+#		2 735	2 719	25		5 479
Paid by the company						-
Paid by group companies		2 735	2 719	25		5 479
M Rapiya+		2 947	2 875	343	6 387	12 552
Paid by the company #						
Paid by group companies		2 947	2 875	343	6 387	12 552
N P Dongwana+	401					401
MJ Harper+	949					949
A A Maule+	302					302
Paid by the company	82					82
Paid by group companies	220					220
M Mia+	940					940
Paid by the company	543					543
Paid by group companies	397					397
PGM Truyens+	2 074					2 074
Paid by the company	488					488
Paid by group companies	1 586					1 586
P R E Tsukudu+	810					810
Paid by the company	339					339
Paid by group companies	471					471
	6 192	10 235	6 764	705	6 395	30 291

* 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 G A Klintworth as no fees were paid and their employers 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	41.33	19 244
	4-Aug-2014	5-Aug-2017	41.33	101 781 #
	16-Apr-2015	16-May-2018	41.33	46 263 #
	16-Apr-2015	16-May-2018	41.33	49 457
				<u>216 745</u>
J van der Sandt*	8-Apr-2014	8-Apr-2017	41.33	2 237
	4-Aug-2014	5-Aug-2017	41.33	62 200 #
	16-Apr-2015	16-May-2018	41.33	25 058 #
	16-Apr-2015	16-May-2018	41.33	28 964
				<u>118 459</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.

21	TAXATION	2015 Rm	2014 Rm
	21.1 South African and foreign		
	Current	84	11
	Current year	88	-
	Prior year	(4)	11
	Deferred	32	68
	Current year	32	70
	Prior year	-	(2)
	Withholding tax	1	2
	Current year	1	2
		<u>117</u>	<u>81</u>
	21.2 Deferred taxation movement by major temporary difference		
	Assessed loss	114	89
	Post retirement medical aid provision	-	8
	Other provisions and impairments	(2)	(31)
	Revaluation of investments	(100)	1
	Other	20	1
		<u>32</u>	<u>68</u>
	21.3 Reconciliation of taxation rate	%	%
	Standard rate	28.0	28.0
	Non-taxable income	(17.4)	(5.1)
	Disallowed expenditure	2.7	(10.2)
	Withholding tax	(0.7)	0.3
	Prior year adjustment	(0.1)	2.7
	Effective rate	<u>12.5</u>	<u>15.7</u>
	21.4 Taxation paid / (received)	Rm	Rm
	Balance payable at beginning year	10	(41)
	Current taxation charged to profit or loss	84	13
	Balance payable at end of year	(2)	(10)
		<u>92</u>	<u>(38)</u>
	22 CASH UTILISED IN OPERATIONS		
	Profit before taxation	930	514
	Adjusted for:		
	Investment income (net of investment costs)	(872)	(538)
	Share-based payment expense	63	39
	Increase / (decrease) in net insurance contract provisions	34	(401)
	Increase / (decrease) in subrogation recoveries receivable	12	(8)
	Decrease / (increase) in net deferred acquisition costs	5	(1)
	Depreciation of property and equipment	90	91
	Decrease / (increase) in net post retirement medical aid provision	(1)	(9)
	Amortisation and impairment of intangible assets	21	44
	Profit on sale of property and equipment	-	(11)
	Changes in working capital:		
	(Increase) / decrease in net agents' and reinsurers' balances	(64)	111
	(Increase) / decrease in other receivables	(73)	(11)
	(Decrease) / increase in deposits owing to reinsurers	(31)	49
	Increase / (decrease) in other payables	13	(8)
		<u>127</u>	<u>(139)</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). These transactions occurred under terms that are no more favourable than those arranged with third parties.

	2015 Rm	2014 Rm
Transactions with fellow subsidiaries:		
Premium received for insurance cover	828	205
Interest received	11	92
Bank charges and administration fees paid	(5)	-
Claims incurred	(452)	(149)
Investment management fees	(8)	(5)
Acquisition costs	(124)	(29)
Transactions with holding company (and ultimate holding company):		
Administration charge	(30)	(56)
Dividend paid	(200)	(600)
Transactions with subsidiaries:		
Credit Guarantee Insurance Corporation of Africa Limited		
Dividend received	59	53
Reinsurance premiums	103	-
Reinsurance claims	(48)	-
Reinsurance commissions	(46)	-
Mutual & Federal Risk Financing Limited		
Dividend received	4	67
Reinsurance premiums	4	(50)
Reinsurance claims	6	(13)
Reinsurance commission	11	19
Administration expenses	15	12
Receivables and (Payables):		
Nedbank Limited - fellow subsidiary	113	170
OMLACSA - Post retirement medical aid asset	187	211
OMIG - Empowerment private equity	74	48
Old Mutual plc	-	35
Old Mutual Short-term Insurance (Botswana) Limited	(3)	3
Old Mutual Short-term Insurance (Namibia) Limited	(4)	(2)
Loan to Director of subsidiary	1	-

23.2 Black business partners transactions

Year-end balances via black business partners:

Equity investments in Old Mutual plc shares at fair value	-	1 297
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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:	41	68
Not later than 1 year	7	33
Between 1 and 5 years	34	35

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

The Company announced its intention to acquire the remaining 13.9% interest in Credit Guarantee Insurance Corporation of Africa Ltd (CGIC) for a consideration of R190 million. The Financial Services Board provided their approval for this transaction on 14 March 2016, resulting in Mutual & Federal now owning 100% of the issued shares in CGIC.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2015

27 LIST OF INTERESTS IN SUBSIDIARIES

		Issued share capital		Fair value of shares in subsidiaries		Indebtedness by / (to) subsidiaries	
		2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
DIRECTLY HELD							
Cougar Investment Holding Company Limited	(a)	10	10	99	86	(35)	(19)
Credit Guarantee Insurance Corporation of Africa Limited 86.08% (2014:52.52%)	(b)	3	3	1 569	610	-	-
Mutual & Federal Risk Financing Limited	(b)	5	5	174	234	15	12
Mutual and Federal Zimbabwe (Private) Limited	# (a)	8	8	89	62		
Platin Underwriting Managers (Pty) Limited (40%)	(d)	-	-	-	-	-	-
INDIRECTLY HELD							
CGU Insurance Limited	(c)	-	10	-	12	-	-
Galilean Properties (Proprietary) Limited	(a)	29	-	42	51	-	-
Sentrasure Limited	(c)	-	10	-	15	-	-
STRUCTURED VEHICLES							
The Mutual & Federal Management Incentive Trust		-	-	-	-	98	99
The Mutual & Federal Senior Black Management Trust		-	-	-	-	-	-
The Mutual & Federal Black Broker Trust		-	-	-	-	14	14

28 LIST OF INTERESTS IN ASSOCIATES

		Fair value of shares in associates		Indebtedness by / (to) subsidiaries	
		2015 Rm	2014 Rm	2015 Rm	2014 Rm
DIRECTLY HELD					
Mercury Administrator & Underwriter Agency (Pty) Ltd (25%)	(d)	2	-	-	-

Legend:

Incorporated in Zimbabwe

All other subsidiaries are incorporated in South Africa.

All holdings are 100% unless otherwise indicated.

(a) Investment company

(b) Short-term insurance

(c) Deregistered in 2015

(d) Acquired in 2015

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	1	1	10
Senior management	7	2	13	24	7	2	3	13	2	-	73
Professionally qualified and experienced specialists and mid-management	19	12	28	74	22	9	26	51	8	-	249
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	187	136	74	153	185	162	91	264	4	2	1 258
Semi- skilled and discretionary decision making	185	66	25	16	256	142	35	67	1	-	793
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-	-	-
TOTAL PERMANENT	398	216	140	272	471	315	155	397	16	3	2 383
Temporary employees	36	11	6	15	41	15	5	15	2	2	148
GRAND TOTAL	434	227	146	287	512	330	160	412	18	5	2 531