LIBERTY

Liberty Holdings Limited

Financial results 2014

For the six months ended 30 June

Highlights

BEE normalised operating earnings
up **12%**

BEE normalised headline earnings
up **10%**

BEE normalised return on equity
20%

return on BEE normalised group equity value
15%

value of long-term insurance new business
up **13%**

long-term insurance indexed new business
up **10%**

long-term insurance customer net cash inflows
R4,5 billion

asset management customer net cash inflows
R11,6 billion

interim dividend
up **9%**

Liberty Group Limited CAR cover
2,6 times

Contents

Financial performance indicators

for the six months ended 30 June 2014

	30 June 2014	30 June 2013	% change	31 December 2013
Liberty Holdings Limited				
Earnings				
Basic earnings per share (cents)	**720,5**	648,8	11	1 517,9
BEE normalised headline earnings per share (cents)	**664,7**	602,7	10	1 439,6
BEE normalised operating earnings (Rm)	**1 174**	1 048	12	2 198
BEE normalised return on equity (%)	**19,9**	21,8	(9)	23,3
Group equity value				
BEE normalised group equity value per share (R)	**130,42**	117,16	11	126,08
BEE normalised return on group equity value (%)	**14,7**	13,0	13	16,1
Distributions per share (cents)				
Normal dividend	**232**	212	9	581
Interim dividend	**232**	212	9	212
Final dividend	**n/a**	n/a		369
Total assets under management (Rbn)	**639**	566	13	611
Long-term insurance operations				
Indexed new business (excluding contractual increases) (Rm)	**3 437**	3 122	10	6 947
Embedded value of new business (Rm)	**346**	307	13	839
New business margin (%)	**1,8**	1,8	–	2,2
Net customer cash inflows (Rm)	**3 583**	1 922	86	6 316
Capital adequacy cover of Liberty Group Limited (times covered)	**2,58**	2,75	(6)	2,56
Asset management – STANLIB				
Assets under management (Rbn)	**561**	504	11	545
Net cash inflows (Rm)	**11 618**	9 012	29	15 725
Retail and institutional net cash inflows excluding money market (Rm)	**4 123**	7 630	(46)	13 527
Money market net cash inflows (Rm)	**7 495**	1 382	>100	2 198

Preparation and supervision:

This announcement on Liberty Holdings Limited's interim results for the six months ended 30 June 2014 has been prepared and supervised by JC Hubbard (Group Chief Financial Officer) BCom CA(SA) and CG Troskie (Executive Director – Finance and Risk) BCom (Hons) CA(SA).

The group's performance for the first half of 2014 continues to reflect the positive momentum in operating earnings and customer new business as evidenced in 2013. Return on group equity value at 15% remains above our medium-term expectations.

In the group's long-term insurance operations indexed new business grew 10% to R3 437 million, supported by very strong single premium investment sales. Net customer cash inflows were R4,5 billion (30 June 2013: R1,9 billion), including a R912 million contribution from the recently launched Retail LISP. Corporate business customer flows (R0,9 billion) were positive for the first time since 2007. New business margin at 1,8% has been negatively impacted by a 25bps increase in the risk discount rate and reflects the typical lower first half sales seasonality. The business continues to manage within the long-term actuarial expense and policyholder behaviour assumptions.

LibFin Markets produced an improved result, due to the ongoing build of the credit book and a positive asset liability management contribution which benefited from low realised volatility in equity and interest rate markets.

The group asset management operations (STANLIB) have attracted net external customer cash inflows of R11,6 billion which are 29% up compared to the first half of 2013, over R7,5 billion of which were invested in the various money market offerings. Assets under management across the group grew by 5% from 31 December 2013 to R639 billion.

The group's strategically important association with Standard Bank through the bancassurance agreement has continued to make significant contributions to the group's performance.

The Shareholder Investment Portfolio (SIP) gross performance of 5,1% was supported by solid contributions from local and international equity markets.

Group BEE normalised headline earnings of R1 881 million are 10% higher, representing a 12% growth in operating earnings and an 8% increase in earnings from the SIP. The growth in operating earnings was achieved without any significant assumption or modelling changes. Performance of all business units has broadly tracked expectation.

BEE normalised group equity value per share of R130,42 is R4,34 up on 31 December 2013, and reflects R2 541 million of equity value profits, or an annualised 14,7% return on opening group equity value.

Consistent management of the group's risks within the board approved risk appetite has supported the maintenance of the group's strong capital position with the capital adequacy ratio in the group's main long-term insurance licence, Liberty Group Limited, being 2,58 times (31 December 2013: 2,56 times) the regulatory minimum.

The group's recent positive performances are as a result of management consistently delivering to strategy within a comprehensive governance structure. Key elements of the group's strategy remain to:

- manage the core South African insurance operations within acceptable sustainable long-term assumption sets;
- launch innovative new products to service targeted customer segments which have contributed to profitably capturing greater market shares;
- optimise the balance sheet within board approved risk appetite limits;
- improve asset management capability;
- expand the geographical footprint into expected high growth regions of sub-Saharan Africa; and
- maximise opportunities under the Standard Bank bancassurance agreement.

Liberty is far advanced with the preparation for the implementation of Solvency Assessment and Management (SAM), the proposed new long-term insurance solvency regime intended to come into effect on 1 January 2016, with a parallel process in 2015. We have recently completed the SAM QIS3 assessment and we believe the group is well positioned from a capital perspective. A number of other proposed regulatory changes are also facing the industry including tax, retirement and health reform, protection of information initiatives, retail distribution review and treating customers fairly.

Liberty has therefore invested in a substantial change management capability. Liberty acknowledges that these changes are largely intended to improve the sustainability of the industry and address the past inequalities structurally evident in South Africa. The board and management are pro-actively engaging in the process to identify opportunities and efficiently prepare for implementation.

FINANCIAL RESULTS

Earnings by business unit

for the six months ended 30 June 2014

Rm	30 June 2014	30 June 2013	% change	12 months 31 December 2013
Insurance				
Retail segment	**795**	771	3	1 467
Institutional segment	**90**	44	>100	133
Liberty Corporate	**84**	52	62	121
Liberty Africa Insurance [(1)]	**28**	18	56	52
Liberty Health	**(22)**	(26)	15	(40)
Balance sheet management				
LibFin Markets – credit portfolio	**87**	67	30	132
LibFin Markets – asset/liability management	**21**	(13)	>100	5
Asset management				
STANLIB	**284**	270	5	633
South Africa	**254**	243	5	571
Other Africa	**30**	27	11	62
Liberty Properties	**12**	17	(29)	44
Central overheads and sundry income	**(115)**	(108)	(7)	(216)
BEE normalised operating earnings	**1 174**	1 048	12	2 198
LibFin Investments	**707**	656	8	1 878
BEE normalised headline earnings	**1 881**	1 704	10	4 076
BEE preference share adjustment	**(28)**	(37)	24	(62)
Headline earnings	**1 853**	1 667	11	4 014

[(1)] *Liberty Africa Insurance includes long-term and short-term insurance products sold to both the retail and institutional markets. The business unit has been classified under the institutional segment as the majority of premiums are derived from institutional clients.*

Business unit financial review

for the six months ended 30 June 2014

Retail segment

Retail SA's headline earnings for the half year are R795 million (2013: R771 million). Normalising, for the impact of positive modelling changes in 2013 as well as the increased build costs related to the transactional joint venture with Standard Bank and the recently launched LISP platform, reflects an effective earnings increase of 10%. Increased asset base on which management fees are charged, on-going good expense management and positive risk variances are significant contributors to the result.

The LISP, which offers direct investments into a range of collective investment schemes available to retail customers through a cost-efficient platform and complements the life wrapper investment product range, attracted almost R1 billion in net new investments. The innovative Evolve investment product range continues to outperform expectations with single premium investment sales totalling R2,4 billion for the half year.

Indexed new business sales (excluding the Retail LISP and contractual increases) of R2,9 billion, increased by 7% over June 2013 including a 26% increase in single premium business. Recurring premium business is flat on last year partly due to Standard Bank's decision to reduce new micro loan advances which have impacted credit life sales under the bancassurance agreement and partly due to an increasingly demanding consumer environment. The Retail SA new business margin of 2,2% (excluding STANLIB on balance sheet sales) remains within the medium-term targeted range. The margin has been negatively impacted by a 25bps increase in the risk discount rate, due to the increase in the South African bond yields, as well as a change in the mix of business. Typically the first half margin is also negatively impacted by seasonality which manifests itself in proportionately lower first half sales.

Net cash inflows (excluding the Retail LISP) are pleasing at R2,3 billion and were supported by higher contributions from our sales of single premium investment products offsetting the increase in average policy withdrawal values due to recent good investment returns.

The comprehensive loyalty programme "Own your life REWARDS" has grown principal membership to over twenty five thousand at 30 June 2014.

Institutional segment

Liberty Corporate

Improved headline earnings of R84 million (up 62%) are mainly a function of higher asset based management fees and cost control.

The continued innovation in Liability Driven Solutions products has been well received in the market and has resulted in attracting a number of large investment mandates in the first half of 2014. Indexed new business has consequently grown by 45% to R423 million.

Whilst acknowledging the volatility of investment mandates in reflecting cash flows, management is encouraged by net customer cash inflows of R949 million which are positive for the first time since 2007.

Liberty Africa Insurance

East and Southern Africa (excluding South Africa) insurance businesses contributed R28 million (2013: R18 million) to Liberty's headline earnings for the half year. The result has been supported by improved persistency in the Kenya individual life business, higher margin business underwritten in Namibia and Uganda, good performance in investment markets and consistent claims loss ratios in the short-term insurance business. Long-term insurance new business has been impacted by lower bancassurance sales in Botswana leading to a decrease in overall margin to 5,7%.

The group continues to evaluate business opportunities throughout the sub-Saharan African region and has reserved capital resources to take advantage of investment opportunities as they arise.

Liberty Health

Liberty's share of Liberty Health's headline loss for the half year is R22 million (2013: R26 million loss). As recently announced Liberty has entered into an agreement to acquire the outside shareholder equity interests in Liberty Health and loan claims, which together total R133 million. This will allow for greater flexibility and enable Liberty Health to be restructured in a manner that will be beneficial to the group. The transaction was effective 1 August 2014.

Our health risk products targeted at employees in African countries, excluding South Africa, provide cover for over three hundred thousand lives (eighty two thousand of which are non-capitation). Claims loss ratios are improving particularly in the higher margin non-capitation business.

Balance sheet management

Asset liability management and credit portfolio (LibFin Markets)

LibFin Markets had a positive first half, contributing R108 million to headline earnings (2013: R54 million).

The Credit Portfolio, a diversified portfolio of government, state owned enterprise and corporate securities backing the guaranteed investment product set, contributed R87 million (2013: R67 million) in line with the growth of the portfolio and through diversification away from less efficient legacy assets.

The asset liability management earnings, the result of managing market risk arising from the guaranteed investment product set, was R21 million for the period (2013: negative R13 million) benefiting from low realised volatility in equity and interest rate markets during 2014.

LibFin assets under management at 30 June 2014 was R39 billion (31 December 2013: R36 billion).

Shareholder Investment Portfolio (SIP) (LibFin Investments)

LibFin Investments manages the SIP which comprises the group's investment market exposure to the 90:10 book of business and the assets backing capital in the insurance operations. The portfolio which is managed under a low risk balanced mandate produced a gross return of 5,1% (2013: 5,5%) which was slightly behind benchmark for the half year period. This portfolio is managed on a long term basis and in the context of the outperformance during 2013, remains significantly ahead of the past three years' cumulative benchmarks. The return has followed the favourable performance of local and international equity markets, a relatively stable currency and interest rate environment during the period as well as the benefit of tactical asset allocations to infrastructure assets.

The portfolio contributed R707 million (2013: R656 million) to the group's first half headline earnings broadly in line with the growth in the average asset base invested.

Asset management

STANLIB

STANLIB's headline earnings of R284 million are 5% higher compared to the equivalent period in 2013. Net cash inflows (excluding inter group) of R11,6 billion are 29% up on the prior half year, but comprise a different sales mix resulting in R7,5 billion of inflows into lower margin money market investments. This change in sales mix combined with the decision to cease initial fees has resulted in lower earnings growth in South Africa. An improved sales mix and consequential margin improvement led to other Africa earnings increasing by 11%. Whilst some good progress has been made in securing institutional mandates, attracting significant increases in non-money market retail flows remains a challenge. The recent investments in building alternative asset class capabilities are attracting significant investor interest.

Total assets under management increased to R561 billion at 30 June 2014 (31 December 2013: R545 billion).

The majority of funds under management continue to produce satisfactory performance and STANLIB's unit trusts recently received four Raging Bull awards. The performance over three years of 85% of all STANLIB surveyed institutional funds is ahead of their respective benchmarks.

Liberty Properties

Liberty Properties, which comprises property management and development, has contributed R12 million (2013: R17 million) to headline earnings, reflecting lower development fee income, the reduced portfolio size and one off restructure costs. As part of the rebalancing of the unlisted property portfolio, several wholly owned hotels valued at R1,1 billion were sold in April 2014 to The Cullinan Hotel (Pty) Limited, a 40% associate company of the group.

Bancassurance

The commercial bancassurance joint venture relationship with Standard Bank, which is applicable across the group's asset management and insurance operations, continues to make a considerable contribution to new business volumes and earnings. Indexed new business premiums of Liberty insurance products (excluding credit life) for the year from bancassurance channels are 7% higher than 2013. STANLIB received an 8% growth in net asset management fees related to assets acquired through the Standard Bank distribution channel.

The total SA covered business embedded value of in-force contracts sold under the agreement attributable to Liberty at 30 June 2014 increased to R1,4 billion (31 December 2013: R1,3 billion) despite the higher required discount rates.

Tax legislation

The Taxation Laws Amendment Act, 2013 was promulgated on 12 December 2013. The Act included additional changes to the expense relief formulae to those which became applicable to long-term insurers in the 2012 Amendment Act. The 2013 changes did not allow for the inclusion of the aggregate annual taxable portion of unrealised capital gains in respect of assets allocated to the policyholder funds which was contrary to the stated intention. National Treasury have released the 2014 Taxation Laws Amendment Bill ("the 2014 Bill"), proposing to correct the applicable legislation with retrospective effect. The 2014 Bill will only be tabled in Parliament during the 2014 legislative cycle. Policyholder liabilities have been calculated using the 2014 Bill. Using the current Act, the impact at 30 June 2014 to policyholder liabilities and earnings is not significant.

Capital adequacy cover

The capital adequacy cover of Liberty Group Limited remains strong at 2,58 times the statutory requirement (31 December 2013: 2,56 times). All the other group subsidiary life licences are also well capitalised.

Capital adequacy requirements are set at the higher of the "termination" (TCAR) basis or "ordinary" (OCAR) basis. At 30 June 2014 the higher amount is TCAR (31 December 2013: OCAR).

Dividends

2014 interim dividend

In line with the group's dividend policy, the board has approved and declared a gross interim dividend of 232 cents per ordinary share. The interim dividend will be payable out of income reserves and payable to all ordinary shareholders recorded in the books of Liberty Holdings Limited at the close of business on Friday, 5 September 2014.

The dividend of 232 cents per ordinary share will be subject to a local dividend tax rate of 15% which will result in a net interim dividend, to those shareholders who are not exempt from paying dividend tax, of 197.2 cents per ordinary share. Liberty Holdings Limited's income tax number is 9050/191/71/8. The number of ordinary shares in issue in the company's share capital at the date of declaration is 286 202 373.

Business unit financial review (continued)

The important dates pertaining to the dividend is as follows:

Last date to trade cum dividend on the JSE	Friday, 29 August 2014
First trading day ex dividend on the JSE	Monday, 1 September 2014
Record date	Friday, 5 September 2014
Payment date	Monday, 8 September 2014

Share certificates may not be dematerialised or rematerialised between Monday, 1 September 2014 and Friday, 5 September 2014, both days inclusive. Where applicable, in terms of instructions received by the company from certificated shareholders, the payment of the dividend will be made electronically to shareholders' bank accounts on payment date.

In the absence of specific mandates, cheques will be posted to shareholders. Shareholders who have dematerialised their shares will have their accounts with their CSDP or broker credited on Monday, 8 September 2014.

Prospects

The group's first half 2014 performance reinforces our demonstrated ability to sustainably grow the business in line with our strategy. We continue to perform above our medium term targets and they are well positioned to attract higher levels of new business within our targeted margin ranges.

We are confident that our proven balance sheet management capability will continue to manage our investment market risk exposures within risk appetite.

Thabo Dloti
Chief Executive

Saki Macozoma
Chairman

7 August 2014

LIBERTY

www.libertyholdings.co.za

Liberty Holdings Limited
Incorporated in the Republic of South Africa
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Sponsor
Merrill Lynch
A subsidiary of Bank of America Corporation

These results are available at www.libertyholdings.co.za

Accounting policies

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2014 are prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the mandatory adoption of minor amendments to IFRS, which are effective for years commencing 1 January 2014. These changes have not resulted in any material impacts to the 2014 group's reported results, comparative periods or interim disclosures.

Review/audit

These interim results have not been reviewed or audited by the company's auditors, PricewaterhouseCoopers Inc.

Definitions

BEE normalised: headline earnings per share, return on equity, group equity value per share and return on group equity value

These measures reflect the economic reality of the Black Economic Empowerment (BEE) transaction as opposed to the required technical accounting treatment that reflects the BEE transaction as a share buy-back. Dividends received on the group's BEE preference shares (which are recognised as an asset for this purpose) are included in income. Shares in issue relating to the transaction are reinstated.

Capital adequacy requirement (CAR)

The capital adequacy requirement is the minimum amount by which the Financial Services Board requires an insurer's assets to exceed its liabilities. The assets, liabilities and CAR must be calculated using a method which meets the Financial Services Board's requirements. Capital adequacy cover refers to the amount of capital the insurer has as a multiple of the minimum requirement.

"Liberty" or "group"

Represents the collective of Liberty Holdings Limited and its subsidiaries.

Long-term insurance operations – Indexed new business

This is a measure of new business which is calculated as the sum of twelve months' premiums on new recurring premium policies and one tenth of single premium sales.

Long-term insurance operations – Value of new business and margin

The present value, at point of sale, of the projected stream of after tax profits for new business issued, net of the cost of required capital. The present value is calculated using a risk adjusted discount rate. Margin is calculated using the value of new business divided by the present value of future modelled premiums.

Short-term insurance operations – Claims loss ratio

This is a measure of underwriting risk and is measured as a ratio of claims incurred divided by the net premiums earned.

FCTR

Foreign Currency Translation Reserve.

Development costs

Represents project costs incurred on developing or enhancing future revenue opportunities.

Negative rand reserves

A portion of expected future management and administration fees are present valued and recognised at point of sale. Prospective measurement takes place at each valuation date until received.

Consolidated statement of financial position

as at 30 June 2014

Rm	**Unaudited 30 June 2014**	Unaudited 30 June 2013	Audited 31 December 2013
Assets			
Equipment and owner-occupied properties under development	**948**	1 080	1 114
Owner-occupied properties	**1 423**	1 404	1 410
Investment properties	**25 645**	24 259	27 299
Intangible assets	**394**	667	475
Defined benefit pension fund employer surplus	**215**	213	210
Deferred acquisition costs	**563**	485	527
Interests in joint ventures	**6**	391	404
Reinsurance assets	**1 738**	1 396	1 609
Long-term insurance	**1 246**	1 037	1 161
Short-term insurance	**492**	359	448
Operating leases – accrued income	**1 221**	1 408	1 315
Pledged assets measured at fair value through profit or loss	**6 364**	1 759	1 348
Assets held for trading	**6 706**	4 681	6 387
Interests in associates – equity accounted	**74**	72	72
Interests in associates – measured at fair value	**18 778**	14 975	15 361
Financial investments	**290 810**	246 676	279 043
Deferred taxation	**313**	289	354
Prepayments, insurance and other receivables	**4 968**	4 214	3 841
Cash and cash equivalents	**13 124**	15 376	9 870
Total assets	**373 290**	319 345	350 639
Liabilities			
Long-term policyholder liabilities	**278 898**	241 414	263 944
Insurance contracts	**189 034**	166 391	180 742
Investment contracts with discretionary participation features	**9 867**	7 951	9 056
Financial liabilities under investment contracts	**79 997**	67 072	74 146
Short-term insurance liabilities	**901**	806	846
Financial liabilities at amortised cost	**3 167**	2 131	3 167
Third party financial liabilities arising on consolidation of mutual funds	**42 456**	36 316	39 983
Employee benefits	**1 002**	971	1 344
Deferred revenue	**206**	186	194
Deferred taxation	**3 827**	2 771	3 586
Deemed disposal taxation liability	**272**	628	544
Provisions	**155**	257	195
Derivative liabilities	**6 523**	4 252	4 860
Insurance and other payables	**13 089**	9 618	9 716
Current taxation	**678**	831	904
Total liabilities	**351 174**	300 181	329 283
Equity			
Ordinary shareholders' interests	**18 351**	15 978	17 654
Share capital	**26**	26	26
Share premium	**5 919**	6 034	5 985
Retained surplus	**13 356**	10 775	12 454
Other reserves	**(950)**	(857)	(811)
Non-controlling interests	**3 765**	3 186	3 702
Total equity	**22 116**	19 164	21 356
Total equity and liabilities	**373 290**	319 345	350 639

Consolidated statement of comprehensive income

for the six months ended 30 June 2014

Rm	**Unaudited 30 June 2014**	Unaudited 30 June 2013	Audited 12 months 31 December 2013
Revenue			
Insurance premiums	**18 541**	16 090	35 782
Reinsurance premiums	**(695)**	(657)	(1 316)
Net insurance premiums	**17 846**	15 433	34 466
Service fee income from investment contracts	**450**	417	900
Investment income	**7 257**	6 936	13 220
Hotel operations sales	**371**	377	809
Investment gains	**15 019**	6 649	33 554
Fee revenue and reinsurance commission	**1 197**	941	2 324
Total revenue	**42 140**	30 753	85 273
Claims and policyholder benefits under insurance contracts	**(15 821)**	(10 446)	(25 904)
Insurance claims recovered from reinsurers	**526**	524	1 357
Change in long-term policyholder liabilities	**(9 014)**	(5 477)	(20 698)
Insurance contracts	**(8 286)**	(1 623)	(15 937)
Investment contracts with discretionary participation features	**(813)**	(3 911)	(4 941)
Applicable to reinsurers	**85**	57	180
Fair value adjustment to policyholder liabilities under investment contracts	**(5 074)**	(2 754)	(10 135)
Fair value adjustment on third party mutual fund interests	**(2 196)**	(3 396)	(7 832)
Acquisition costs	**(2 135)**	(2 013)	(4 233)
General marketing and administration expenses	**(4 578)**	(3 820)	(9 079)
Finance costs	**(291)**	(114)	(327)
Profit share allocations under bancassurance and other agreements	**(434)**	(441)	(984)
Equity accounted earnings from joint ventures		14	
Profit before taxation	**3 123**	2 830	7 438
Taxation	**(1 121)**	(1 041)	(2 968)
Total earnings	**2 002**	1 789	4 470
Other comprehensive income	**(57)**	76	88
Items that may be reclassified subsequently to profit or loss	**(46)**	53	56
Net change in fair value on cash flow hedges	**(65)**	(109)	(183)
Income and capital gains tax relating to net change in fair value on cash flow hedges	**16**	33	53
Foreign currency translation	**3**	129	186
Items that may not be reclassified to profit or loss	**(11)**	23	32
Owner-occupied properties – fair value adjustment	**13**	13	28
Income and capital gains tax relating to owner-occupied properties fair value adjustment	**(5)**	(6)	(10)
Change in long-term policyholder insurance liabilities (application of shadow accounting)	**(8)**	(8)	(22)
Actuarial gains on post-retirement medical aid liability	**(18)**	7	24
Income tax relating to post-retirement medical aid liability	**5**	(2)	(7)
Net adjustments to defined benefit pension fund[(1)]	**2**	27	26
Income tax relating to defined benefit pension fund		(8)	(7)
Total comprehensive income	**1 945**	1 865	4 558
Total earnings attributable to:			
Ordinary shareholders' interests	**1 854**	1 668	3 908
Non-controlling interests	**148**	121	562
	2 002	1 789	4 470
Total comprehensive income attributable to:			
Ordinary shareholders' interests	**1 797**	1 700	3 936
Non-controlling interests	**148**	165	622
	1 945	1 865	4 558
Basic and fully diluted earnings per share	**Cents**	Cents	Cents
Basic earnings per share	**720,5**	648,8	1 517,9
Fully diluted basic earnings per share	**659,1**	596,4	1 393,4

[(1)] Net adjustments to defined benefit pension fund include actuarial gains or losses, return on plan assets, reduced by the interest on the net defined benefit asset, and the effect of the application of the asset ceiling.

Headline earnings and earnings per share

for the six months ended 30 June 2014

Rm	Unaudited 30 June 2014	Unaudited 30 June 2013	Audited 12 months 31 December 2013
Reconciliation of total earnings to headline earnings attributable to equity holders			
Total earnings attributable to equity holders	**1 854**	1 668	3 908
Preference share dividend	**(1)**	(1)	(2)
Basic earnings attributable to ordinary shareholders	**1 853**	1 667	3 906
Derecognition and impairment of intangible assets			126
FCTR recycled through profit or loss			(18)
Headline earnings attributable to ordinary shareholders	**1 853**	1 667	4 014
Net income earned on BEE preference shares	**28**	37	62
BEE normalised headline earnings attributable to ordinary shareholders	**1 881**	1 704	4 076
Weighted average number of shares in issue ('000)	**257 181**	256 954	257 334
BEE normalised weighted average number of shares in issue ('000)	**282 977**	282 750	283 130
Fully diluted weighted average number of shares in issue ('000)	**281 138**	279 490	280 329
Earnings per share	**Cents**	Cents	Cents
Total earnings attributable to ordinary shareholders			
Basic	**720,5**	648,8	1 517,9
Headline	**720,5**	648,8	1 559,8
BEE normalised headline	**664,7**	602,7	1 439,6
Fully diluted earnings attributable to ordinary shareholders			
Basic	**659,1**	596,4	1 393,4
Headline	**659,1**	596,4	1 431,9

Condensed statement of changes in shareholders' funds

for the six months ended 30 June 2014

Rm	Unaudited 30 June 2014	Unaudited 30 June 2013	Audited 31 December 2013
Balance of ordinary shareholders' interests at 1 January	**17 654**	15 410	15 410
Ordinary dividends	**(1 056)**	(959)	(1 566)
Special dividend		(371)	(371)
Total comprehensive income	**1 797**	1 700	3 936
Share buy-backs net of share subscriptions	**(224)**	35	(15)
Black Economic Empowerment transaction	**95**	116	171
Share-based payments	**68**	48	109
Preference dividends	**(1)**	(1)	(2)
Transaction between owners	**18**		
FCTR recycled through profit or loss			(18)
Ordinary shareholders' interests	**18 351**	15 978	17 654
Balance of non-controlling interests at 1 January	**3 702**	3 101	3 101
Total comprehensive income	**148**	165	622
Unincorporated property partnerships net distributions	**(63)**	(77)	(6)
Non-controlling share of subsidiary dividend	**(4)**	(3)	(17)
Transaction between owners	**(18)**		
FCTR recycled through profit or loss			2
Non-controlling interests	**3 765**	3 186	3 702
Total equity	**22 116**	19 164	21 356

Condensed statement of cash flows

for the six months ended 30 June 2014

Rm	Unaudited 30 June 2014	Unaudited 30 June 2013	Audited 12 months 31 December 2013
Operating activities	**5 164**	2 267	8 196
Investing activities	**(1 723)**	2 589	(10 014)
Financing activities	**(188)**	(6)	1 157
Net increase/(decrease) in cash and cash equivalents	**3 253**	4 850	(661)
Cash and cash equivalents at the beginning of the year	**9 870**	10 418	10 418
Foreign currency translation	**1**	108	113
Cash and cash equivalents at the end of the period	**13 124**	15 376	9 870

Condensed segment information

for the six months ended 30 June 2014

The unaudited segment results for the six months ended 30 June 2014 are as follows:

Rm	Long-term insurance Retail	Long-term insurance Corporate	Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Total revenue	**33 829**	**9 636**	**602**	**1 582**	**143**	**977**	**46 769**	**(4 629)**	**42 140**
Profit/(loss) before taxation	2 060	129	61	396	(74)	426	2 998	125	3 123
Taxation	(1 002)	(30)	(11)	(104)	12	14	(1 121)		(1 121)
Total earnings/(loss)	1 058	99	50	292	(62)	440	1 877	125	2 002
Transfers between segments[2]	(11)	5		(4)		10			
Total earnings/(loss) after transfers	1 047	104	50	288	(62)	450	1 877	125	2 002
Other comprehensive (loss)/income	(59)	(1)		1		2	(57)		(57)
Total comprehensive income/(loss)	988	103	50	289	(62)	452	1 820	125	1 945
Attributable to:									
Non-controlling interests	(23)	2	(20)	(4)	17	5	(23)	(125)	(148)
Equity holders	965	105	30	285	(45)	457	1 797		1 797
Reconciliation of total earnings/(loss) after transfers to headline earnings/(loss) attributable to equity holders									
Total earnings/(loss) after transfers	1 047	104	50	288	(62)	450	1 877	125	2 002
Attributable (to)/from non-controlling interests	(23)	2	(20)	(4)	17	5	(23)	(125)	(148)
Preference share dividend						(1)	(1)		(1)
Headline earnings/(loss)	1 024	106	30	284	(45)	454	1 853		1 853
Net income earned on BEE preference shares						28	28		28
BEE normalised headline earnings/(loss)	1 024	106	30	284	(45)	482	1 881		1 881

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.*

[2] *Earnings reallocated as they are attributable to other segments (e.g. bancassurance agreement profit share attributable to asset management and release of regulatory project reserves to offset related shareholder expenses in "other").*

The unaudited segment results for the six months ended 30 June 2013 are as follows:

Rm	Long-term insurance Retail	Long-term insurance Corporate	Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Total revenue	23 914	6 548	499	1 272	134	698	33 065	(2 312)	30 753
Profit/(loss) before taxation	1 956	143	40	398	(82)	273	2 728	102	2 830
Taxation	(886)	(38)	(10)	(111)	30	(31)	(1 046)	5	(1 041)
Total earnings/(loss)	1 070	105	30	287	(52)	242	1 682	107	1 789
Other comprehensive (loss)/income	(14)	1	37	17		35	76		76
Total comprehensive income/(loss)	1 056	106	67	304	(52)	277	1 758	107	1 865
Attributable to:									
Non-controlling interests	(23)	(4)	(28)	(5)	13	(11)	(58)	(107)	(165)
Equity holders	1 033	102	39	299	(39)	266	1 700		1 700
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders									
Total earnings/(loss)	1 070	105	30	287	(52)	242	1 682	107	1 789
Attributable (to)/from non-controlling interests	3	(4)	(11)	(4)	13	(11)	(14)	(107)	(121)
Preference share dividend						(1)	(1)		(1)
Headline earnings/(loss)	1 073	101	19	283	(39)	230	1 667		1 667
Net income earned on BEE preference shares						37	37		37
BEE normalised headline earnings/(loss)	1 073	101	19	283	(39)	267	1 704		1 704

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.*

Condensed segment information (continued)

for the six months ended 30 June 2014

The audited segment results for the year ended 31 December 2013 are as follows:

Rm	Long-term insurance Retail	Long-term insurance Corporate	Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Total revenue	66 124	17 319	1 076	3 064	288	1 817	89 688	(4 415)	85 273
Profit/(loss) before taxation	5 161	298	116	926	(274)	653	6 880	558	7 438
Taxation	(2 585)	(78)	(51)	(258)	46	(42)	(2 968)		(2 968)
Total earnings/(loss)	2 576	220	65	668	(228)	611	3 912	558	4 470
Other comprehensive (loss)/income	(44)	2	57	28		45	88		88
Total comprehensive income/(loss)	2 532	222	122	696	(228)	656	4 000	558	4 558
Attributable to:									
Non-controlling interests	(46)	(17)	(52)	(9)	57	3	(64)	(558)	(622)
Equity holders	2 486	205	70	687	(171)	659	3 936		3 936
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders									
Total earnings/(loss)	2 576	220	65	668	(228)	611	3 912	558	4 470
Attributable (to)/from non-controlling interests	(14)	(17)	(25)	(8)	57	3	(4)	(558)	(562)
Preference share dividend						(2)	(2)		(2)
Intangible assets impairment	27				99		126		126
FCTR recycled through profit or loss					6	(24)	(18)		(18)
Headline earnings/(loss)	2 589	203	40	660	(66)	588	4 014		4 014
Net income earned on BEE preference shares						62	62		62
BEE normalised headline earnings/(loss)	2 589	203	40	660	(66)	650	4 076		4 076

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.*

Group equity value report

as at 30 June 2014

1. Introduction

Liberty presents a "group equity value" report to reflect the combined value of the various components of Liberty's businesses.

Section 2 below describes the valuation bases used for each reported component. It should be noted the group equity value is presented to provide additional information to shareholders to assess performance of the group. The total equity value is not intended to be a fair value calculation of the group but should provide indicative information of the inherent value of the component parts.

2. Component parts of the group equity value and valuation techniques used

Group equity value has been calculated as the sum of the following component parts:

2.1 South African covered business:

The wholly owned subsidiary, Liberty Group Limited, comprises the cluster of South African long-term insurance entities and related asset holding entities. The embedded value methodology in terms of Actuarial Practice Note 107 issued by the Actuarial Society of South Africa continues to be used to derive the value of this business cluster described as "South African covered business". The embedded value report of the South African covered business has been reviewed by the group's statutory actuary. The full embedded value report is included in the supplementary information section.

2.2 Other businesses:

STANLIB	Valued using a 10 times (December and June 2013: 10 times) multiple of estimated sustainable earnings.
Liberty Properties	Valued using a 10 times (December and June 2013: 10 times) multiple of estimated sustainable earnings.
Liberty Health	As Liberty Health has yet to establish a history to support a sustainable earnings calculation, adjusted IFRS net asset value is applied.
Liberty Africa Insurance	Liberty Africa Insurance is an emerging cluster of both long and short-term insurance businesses located in various African countries outside of South Africa. A combination of valuation techniques including embedded value, discounted cash flow and earnings multiples have been applied to value these businesses. The combined value of this cluster is not material relative to the other components of group equity value and therefore a detailed analysis of this valuation has not been presented. At 30 June 2014 the combined valuations approximated the group's IFRS net asset value. Therefore the IFRS net asset value was used.
LibFin Credit	LibFin originates appropriate illiquid assets that provide acceptable illiquidity premiums. The value of this origination is reflected at a 10 times (December and June 2013: 10 times) multiple of estimated sustainable earnings adjusting for related expenses and prudential margin.
Liberty Holdings	The net market value of assets and liabilities held by the Liberty Holdings Limited company excluding investments in any subsidiaries which are valued separately.

2.3 Other adjustments:

These comprise the fair value of share options/rights allocated to staff not employed by the South African covered businesses and allowance for certain shareholder recurring costs incurred in Liberty Holdings Limited capitalised at a multiple of 9 times (December and June 2013: 9 times).

Group equity value report (continued)

as at 30 June 2014

3. BEE normalised group equity value

3.1 Analysis of BEE normalised group equity value

Unaudited 30 June 2014 Rm	SA covered business	Other businesses	Group funds invested	Adjustments	Net worth	Value of in-force: SA covered business	Total
SA insurance operations	**9 618**		**9 618**	**(5 345)**	**4 273**	**22 091**	**26 364**
Retail segment						**20 252**	
Liberty Corporate						**1 839**	
Value of in-force acquired	**112**		**112**	**(112)**			
Working capital and other assets	**6 065**		**6 065**	**(348)**	**5 717**		**5 717**
South African insurance operations	**15 795**		**15 795**	**(5 805)**	**9 990**	**22 091**	**32 081**
Other group businesses:							
STANLIB		**609**	**609**	**5 391**	**6 000**		**6 000**
South Africa		**425**	**425**	**5 075**	**5 500**		**5 500**
Other Africa		**184**	**184**	**316**	**500**		**500**
Liberty Properties		**29**	**29**	**271**	**300**		**300**
Liberty Health (including Total Health Trust)		**45**	**45**	**(241)**	**(196)**		**(196)**
Liberty Africa Insurance		**544**	**544**		**544**		**544**
LibFin Credit				**720**	**720**		**720**
Liberty Holdings		**1 329**	**1 329**		**1 329**		**1 329**
Cost of required capital						**(1 656)**	**(1 656)**
Net equity as reported under IFRS	**15 795**[1]	**2 556**	**18 351**	**336**	**18 687**	**20 435**	**39 122**
BEE preference funding	**842**		**842**		**842**		**842**
Allowance for future shareholders costs		**(318)**	**(318)**		**(318)**	**(1 932)**	**(2 250)**
Allowance for employee share options/rights	**(206)**	**(181)**	**(387)**		**(387)**		**(387)**
BEE normalised equity value	**16 431**	**2 057**	**18 488**	**336**	**18 824**	**18 503**	**37 327**

	SA covered business	Other businesses	Group funds invested
Summary of adjustments:			
Negative rand reserves	**(5 345)**		**(5 345)**
Deferred acquisition costs	**(544)**		**(544)**
Deferred revenue liability	**196**		**196**
Carrying value of in-force business acquired	**(112)**		**(112)**
Fair value adjustment of non SA covered business		**6 141**	**6 141**
	(5 805)	**6 141**	**336**

[1] Reconciliation to SA covered business net worth as per analysis in supplementary information	
Net equity of SA covered business as reported under IFRS	***15 795***
Adjustments as above	***(5 805)***
Allowance for employee share options/rights	***(206)***
BEE preference share funding	***842***
Net worth as reported in supplementary information	***10 626***

3. BEE normalised group equity value (continued)

3.1 Analysis of BEE normalised group equity value (continued)

Audited 31 December 2013 Rm	SA covered business	Other busi-nesses	Group funds invested	Adjust-ments	Net worth	Value of in-force: SA covered business	Total
SA insurance operations	10 775		10 775	(5 350)	5 425	21 637	27 062
Retail segment						19 830	
Liberty Corporate						1 807	
Value of in-force acquired	150		150	(150)			
Working capital and other assets	4 145		4 145	(381)	3 764		3 764
South African insurance operations	15 070		15 070	(5 881)	9 189	21 637	30 826
Other group businesses:							
STANLIB		570	570	5 080	5 650		5 650
South Africa		396	396	4 854	5 250		5 250
Other Africa		174	174	226	400		400
Liberty Properties		50	50	350	400		400
Liberty Health (including Total Health Trust)		87	87	(87)			
Liberty Africa Insurance		488	488		488		488
LibFin Credit				650	650		650
Liberty Holdings		1 389	1 389	(47)	1 342		1 342
Cost of required capital						(1 566)	(1 566)
Net equity as reported under IFRS	15 070[(1)]	2 584	17 654	65	17 719	20 071	37 790
BEE preference funding	905		905		905		905
Allowance for future shareholders costs		(247)	(247)		(247)	(1 970)	(2 217)
Allowance for employee share options/rights	(236)	(175)	(411)		(411)		(411)
BEE normalised equity value	15 739	2 162	17 901	65	17 966	18 101	36 067
Summary of adjustments:							
Negative rand reserves	(5 350)		(5 350)				
Deferred acquisition costs	(513)		(513)				
Deferred revenue liability	185		185				
Internally generated software	(53)	53					
Carrying value of in-force business acquired	(150)		(150)				
Fair value adjustment of non SA covered business		5 993	5 993				
Liberty Health loan impairment		(100)	(100)				
	(5 881)	5 946	65				

(1) Reconciliation to SA covered business net worth as per analysis in supplementary information.

Net equity of SA covered business as reported under IFRS	*15 070*
Adjustments as above	*(5 881)*
Allowance for employee share options/rights	*(236)*
BEE preference share funding	*905*
Net worth as reported in supplementary information	*9 858*

Group equity value report (continued)

as at 30 June 2014

3. BEE normalised group equity value (continued)

3.2 BEE normalised group equity value earnings and value per share

Rm (unless otherwise stated)	Unaudited 6 months 30 June 2014 SA covered business	Other busi-nesses	Total	Audited 12 months 31 December 2013 SA covered business	Other busi-nesses	Total
BEE normalised equity value at the end of the period	**29 129**	**8 198**	**37 327**	27 959	8 108	36 067
Equity value at the end of the period	**28 287**	**8 198**	**36 485**	27 054	8 108	35 162
BEE preference shares	**842**		**842**	905		905
Adjustments from group restructure				(6)	6	
Capital transactions		**224**	**224**		15	15
Funding of restricted share plan	**97**	**(97)**		87	(87)	
Intergroup dividends	**850**	**(850)**		1 653	(1 653)	
Dividends paid		**1 057**	**1 057**		1 939	1 939
BEE normalised equity value at the beginning of the year	**(27 959)**	**(8 108)**	**(36 067)**	(25 574)	(7 166)	(32 740)
Equity value at the beginning of the year	**(27 054)**	**(8 108)**	**(35 162)**	(24 562)	(7 166)	(31 728)
BEE preference shares	**(905)**		**(905)**	(1 012)		(1 012)
BEE normalised equity value earnings	**2 117**	**424**	**2 541**	4 119	1 162	5 281
BEE normalised return on group equity value (%)	**15,8**	**10,9**	**14,7**	16,2	16,1	16,1
BEE normalised number of shares (000's)			**286 201**			286 057
Number of shares in issue (000's)			**256 600**			257 801
Shares held for the employee restricted share scheme (000's)			**3 805**			2 460
Adjustment for BEE shares (000's)			**25 796**			25 796
BEE normalised group equity value per share (rand)			**130,42**			126,08

3.3 Sources of BEE normalised group equity value earnings

	Unaudited 6 months 30 June 2014			Unaudited 6 months 30 June 2013			Audited 12 months 31 Dec 2013
Rm	**SA covered business**	**Other busi-nesses**	**Total**	SA covered business	Other busi-nesses	Total	Total
Value of new business written in the period	**334**	**12**	**346**	295	12	307	839
Expected return on value of in-force business	**1 048**		**1 048**	877		877	1 843
Variances/changes in operating assumptions	**123**	**(104)**	**19**	42	(20)	22	(67)
Operating experience variances (including incentive outperformance)	**170**	**(19)**	**151**	82	(2)	80	234
One period replacement of shareholder expenses and inflating expenses	**(58)**	**(21)**	**(79)**	(53)	(18)	(71)	(151)
Transfer of shareholder expense reserve	**64**	**(64)**					
Operating assumption changes	**8**		**8**	27		27	54
Changes in modelling methodology	**(61)**		**(61)**	(14)		(14)	(204)
Headline earnings of other businesses		**302**	**302**	5	274	279	689
Operational equity value profits	**1 505**	**210**	**1 715**	1 219	266	1 485	3 304
Non headline earnings adjustments							(126)
Development costs	**(21)**	**(14)**	**(35)**	(27)	(7)	(34)	(82)
Economic adjustments	**603**	**(2)**	**601**	223	66	289	1 625
Investment return on net worth	**307**	**51**	**358**	281	66	347	1 068
Internally generated software	**53**	**(53)**					
Credit portfolio earnings	**87**		**87**	67		67	132
Investment variances	**232**		**232**	259		259	1 028
Change in economic assumptions	**(76)**		**(76)**	(384)		(384)	(603)
Increase in fair value adjustments on value of other businesses		**236**	**236**		233	233	484
Change in allowance for share options/rights	**30**	**(6)**	**24**	59	36	95	76
Group equity value earnings	**2 117**	**424**	**2 541**	1 474	594	2 068	5 281

Group equity value report (continued)

as at 30 June 2014

3.4 Analysis of value of long-term insurance, new business and margins

Rm (unless otherwise stated)	**Unaudited 6 months 30 June 2014**	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
South African covered business:			
Retail segment	**712**	666	1 580
Traditional Life	**623**	573	1 387
Direct channel	**45**	41	91
Credit Life	**44**	52	102
Corporate	**64**	55	141
Gross value of new business	**776**	721	1 721
Overhead acquisition costs impact on value of new business	**(392)**	(377)	(833)
Cost of required capital	**(50)**	(49)	(82)
Net value of South African covered new business	**334**	295	806
South African life licences	**334**	291	806
Liberty Africa Insurance subsidiaries		4	
Present value of future expected premiums	**19 442**	16 715	37 753
Margin (%)	**1,7**	1,8	2,1
Liberty Africa Insurance:			
Net value of new business	**12**	12	33
Present value of future expected premiums	**211**	103	362
Margin (%)	**5,7**	11,7	9,1
Total group net value of new business	**346**	307	839
Total group margin (%)	**1,8**	1,8	2,2

FINANCIAL RESULTS

Long-term insurance new business

for the six months ended 30 June 2014

Rm	**Unaudited 6 months 30 June 2014**	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
Sources of insurance operations total new business by customer segment			
Retail segment	**11 857**	9 826	22 505
Single	**9 862**	7 827	18 270
Recurring	**1 995**	1 999	4 235
Institutional segment	**1 721**	723	2 816
Single	**1 405**	425	2 144
Recurring	**316**	298	672
Total new business	**13 578**	10 549	25 321
Single	**11 267**	8 252	20 414
Recurring	**2 311**	2 297	4 907
Sources of insurance indexed new business	**3 437**	3 122	6 947
Retail segment	**2 944**	2 759	6 000
Liberty Corporate	**423**	292	789
Liberty Africa Insurance [1]	**70**	71	158

[1] *Liberty owns less than 100% of the various entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

Long-term insurance net cash flows

for the six months ended 30 June 2014

Rm	**Unaudited 6 months 30 June 2014**	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
Premiums			
Recurring	**12 587**	11 785	24 936
Retail	**8 827**	8 158	17 544
Corporate	**3 760**	3 627	7 392
Single	**12 015**	9 163	21 979
Retail	**6 303**	4 901	11 463
Corporate	**2 116**	1 286	3 798
Immediate annuities	**3 596**	2 976	6 718
Net premium income from insurance contracts and inflows from investment contracts	**24 602**	20 948	46 915
Claims and policyholders benefits			
Retail	**(16 185)**	(13 811)	(29 378)
Death and disability claims	**(2 715)**	(2 357)	(4 879)
Policy surrender and maturity claims	**(11 259)**	(9 507)	(20 374)
Annuity payments	**(2 211)**	(1 947)	(4 125)
Corporate	**(4 834)**	(5 215)	(11 221)
Death and disability claims	**(991)**	(941)	(1 859)
Scheme terminations and member withdrawals	**(3 652)**	(4 101)	(9 007)
Annuity payments	**(191)**	(173)	(355)
Net claims and policyholders benefits	**(21 019)**	(19 026)	(40 599)
Long-term insurance net cash flows	**3 583**	1 922	6 316
Sources of insurance operations cash flows by business unit:			
Retail segment	**2 348**	2 215	6 111
Liberty Corporate	**949**	(401)	(83)
STANLIB Multi-Manager	**72**	(51)	(37)
Liberty Africa Insurance [(1)]	**214**	159	325

[(1)] *Liberty owns less than 100% of the various entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

Assets under management[1]

as at 30 June 2014

Unaudited	30 June 2014 Rbn	30 June 2013 Rbn	31 December 2013 Rbn
Managed by group business units	**610**	543	586
STANLIB South Africa	**522**	468	507
STANLIB Other Africa[2]	**39**	36	38
LibFin	**39**	34	36
Other internal managers	**10**	5	5
Externally managed	**29**	23	25
Total assets under management	**639**	566	611

(1) *Includes funds under administration.*
(2) *Liberty owns less than 100% of the various entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

Asset management net cash flows – STANLIB

for the six months ended 30 June 2014

Unaudited	30 June 2014 Rm	30 June 2013 Rm	31 December 2013 Rm
South Africa			
Non-money market	**4 778**	13 548	19 433
Retail	**4 425**	12 545	17 584
Institutional	**353**	1 003	1 849
Money market	**9 657**	515	2 229
Retail	**(658)**	(1 095)	(1 689)
Institutional	**10 315**	1 610	3 918
Net South Africa cash inflows[1]	**14 435**	14 063	21 662
Other Africa			
Non-money market	**(655)**	(5 918)	(5 906)
Retail	**85**	1 419	1 539
Institutional	**(740)**	(7 337)	(7 445)
Money market	**(2 162)**	867	(31)
Net other Africa cash outflows[1][2]	**(2 817)**	(5 051)	(5 937)
Net cash inflows from asset management	**11 618**	9 012	15 725

(1) *STANLIB and Liberty Africa cash flows exclude intergroup life funds.*
(2) *Liberty owns less than 100% of the various entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

Short-term insurance indicators

for the six months ended 30 June 2014

Rm	Unaudited 6 months 30 June 2014	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
Premiums	**507**	428	930
Liberty Health – medical risk	**338**	315	640
Liberty Africa Insurance – motor, property, medical and other	**169**	113	290
Claims	**(297)**	(257)	(559)
Liberty Health – medical risk	**(224)**	(206)	(438)
Liberty Africa Insurance – motor, property, medical and other	**(73)**	(51)	(121)
Net cash inflows from short-term insurance	**210**	171	371
Claims loss ratio (%)			
Liberty Health	**66**	65	68
Liberty Africa Insurance	**43**	45	42
Combined loss ratio (%)			
Liberty Health	**97**	102	100
Liberty Africa Insurance	**89**	82	98

Capital commitments

as at 30 June 2014

Rm	**Unaudited 6 months 30 June 2014**	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
Equipment	**348**	382	563
Investment and owner-occupied property	**2 426**	1 856	3 544
Unconsolidated structured entities [(1)]	**1 957**		509
Total	**4 731**	2 238	4 616
Under contracts	**3 637**	588	944
Authorised by the directors but not contracted	**1 094**	1 650	3 672

[(1)] *These are undrawn commitments to various unconsolidated structured entities and mainly form part of the ongoing build of the LibFin credit book. Drawing is subject to covenant checks by Liberty.*

The above 2014 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds and R44 million (31 December 2013: R218 million) from non-controlling interests in unincorporated property partnerships.

Corporate actions

for the six months ended 30 June 2014

The corporate actions described below have been or will be funded from the group's existing resources and facilities.

Completed transaction:

- Change in shareholding in The Cullinan Hotel (Pty) Ltd (Cullinan)

  As a result of a series of transactions that involved selling a portion (R1,1 billion) of the group's hotel portfolio to Cullinan, the group's interest in Cullinan reduced from 50% to 40% with effect from 30 April 2014.

  Cullinan was a 50% held joint venture (measured at fair value) between the group's wholly-owned subsidiary, Liberty Group Limited, and Southern Sun Hotel Interests (Pty) Ltd (SSHI), a subsidiary of Tsogo Sun Limited.

  As a result of this transaction Liberty has significant control over Cullinan and the investment is accounted for as an associate held at fair value (at 30 June 2014 valued at R380 million). The impact to the group's profit and loss of the redesignation (from a joint venture to an associate) is neutral as Liberty applies the IAS 28 measurement exemption to both joint ventures and associates that back investment-linked insurance obligations. Therefore, the investment has been measured consistently at fair value throughout the period. Unrealised fair value loss, relating to this investment, of R20 million was accounted for in the six months to 30 June 2014.

Transactions in progress at 30 June 2014:

- Transaction with owners

  Liberty Holdings Limited entered into an agreement with the trustees of the NHA Trust in terms of which it acquired all of the remaining NHA Trust's shares in Liberty Health Holdings Proprietary Limited (Liberty Health) for R40 million and loan claims of R93 million against Liberty Health at face value, resulting in an aggregate purchase consideration of R133 million. At 30 June 2014 Liberty held 74,9% of the total issued shares in Liberty Health with the NHA Trust holding the remaining 25,1%.

  All material conditions precedent have been completed and the effective date of the transaction was 1 August 2014. As Liberty Health is already a subsidiary of the group, the transaction will be accounted for as a transaction between owners.

- Acquisition of a share in an unincorporated property partnership

  Liberty Group Limited has entered into a partnership agreement to acquire a 25% undivided share in the developed properties and associated rental operations of the Melrose Arch precinct in Johannesburg for R1,6 billion.

  The transaction is subject to various conditions which are outstanding at the date of this report.

  The partnership will be designated as a joint venture and as the investment is utilised to back investment-linked insurance obligations it will be measured at fair value (application of the measurement exemption in IAS 28).

These uncompleted transactions at 30 June 2014 are not anticipated to have a material impact to the group's total earnings, comprehensive income or net asset value.

Retirement benefit obligations

as at 30 June 2014

Unaudited

Post-retirement medical benefit

The group operates an unfunded post-retirement medical aid benefit for permanent employees who joined the group prior to 1 February 1999 and agency staff who joined prior to 1 March 2005.

As at 30 June 2014, the Liberty post-retirement medical aid benefit liability was R408 million (31 December 2013: R375 million).

Defined benefit retirement funds

The group operates a number of defined benefit pension schemes on behalf of employees. All these funds are closed to new membership and are well funded with no deficits reported.

Related parties

for the six months ended 30 June 2014

Unaudited

Standard Bank Group Limited and any subsidiary (excluding Liberty) is referred to as Standard Bank in the context of this section.

The following selected significant related party transactions have occurred in the 30 June 2014 financial period:

1) Summary of movement in investment in ordinary shares held by the group in Standard Bank is as follows:

	Number '000	Fair value Rm	Ownership %
Standard Bank Group Limited			
Balance at 1 January 2014	**7 062**	**914**	**0,44**
Purchases	**473**	**62**	
Sales	**(574)**	**(79)**	
Fair value adjustments		**112**	
Balance at 30 June 2014	**6 961**	**1 009**	**0,44**

Related parties (continued)

for the six months ended 30 June 2014

2) Bancassurance

The Liberty group has extended the joint venture bancassurance agreements with the Standard Bank group for the manufacture, sale and promotion of insurance, investment and health products through the Standard Bank's African distribution capability. New business premium income in respect of this business in 2014 amounted to R4 080 million (2013 full year: R7 630 million). In terms of the agreements, Liberty's group subsidiaries pay joint venture profit shares to various Standard Bank operations. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. The total combined net profit share amounts accrued as payable to the Standard Bank group for the six months to 30 June 2014 is R434 million (2013 full year: R868 million).

The bancassurance agreements are evergreen agreements with a 24-month notice period for termination, but neither party could have given notice of termination until February 2014. As at 30 June 2014 neither party had given notice.

A binder agreement has been entered into with Standard Bank effective from 31 December 2012. The binder agreement is associated with the administration of policies sold under the bancassurance agreement, and shall remain in force for an indefinite period with a 90 day notice period for termination. Fees accrued for the six months to 30 June 2014 is R48 million (2013 full year: R94 million).

In December 2013 Liberty Group Limited, a 100% held subsidiary of Liberty, issued 5 000 cumulative, participating, non-controlling redeemable preference shares for a total value of R5 million to The Standard Bank of South Africa Limited in order to facilitate the payment of profit shares under the bancassurance agreement. This followed the discontinuance of business in Liberty Active Limited, which previously was contracted to make payment.

3) Sale and repurchase agreements

The group has entered into certain agreements of sale and repurchase of financial instruments as part of the group's asset/liability matching processes.

As at 30 June 2014 a total of R15,5 billion in assets (2013 full year: R7,5 billion) have been traded with Standard Bank under a repurchase agreement with various repurchase dates to 25 August 2014. Open contracts totalled R3,4 billion as at 30 June 2014 (31 December 2013: R1,1 billion). Finance costs recognised in respect of these agreements as at 30 June 2014 was R79 million (2013 full year: R52 million), with total finance costs over the term of the various agreements totalling R93 million (2013 full year: R54 million).

4) Purchases and sales of other financial instruments

In the normal course of conducting Liberty's insurance business, Liberty deposits cash with Standard Bank, purchases and sells financial instruments issued by Standard Bank and enters into derivative transactions with Standard Bank. These transactions are at arm's length and are primarily used to support investment portfolios for policyholders and shareholders' capital.

Financial instruments measurement

Financial instruments measurement analysis and fair value hierarchy
as at 30 June 2014

Unaudited Designation per Financial Position Statement	Measurement basis Amortised cost[(1)] Rm	Financial soundness value[(2)] Rm	Fair value Rm	Total Rm	Fair value hierarchy Provided below Rm	Not provided[(3)] Rm
Assets						
Pledged assets			**6 364**	**6 364**	**6 364**	
Derivative assets			**6 706**	**6 706**	**4 688**	**2 018**
Interest in associates – measured at fair value			**18 778**	**18 778**	**18 778**	
Financial instruments	**1 247**		**289 563**	**290 810**	**289 563**	
Prepayments, insurance and other receivables			**4 968**	**4 968**		**4 968**
Cash and cash equivalents			**13 124**	**13 124**		**13 124**
Properties (investment and owner-occupied)			**28 289**	**28 289**	**28 289**	
Total financial instrument assets	**1 247**		**367 792**	**369 039**	**347 682**	**20 110**
Fair value of amortised cost assets	**1 133**					
Liabilities						
Investment contracts with discretionary participation features		**9 867**		**9 867**		
Financial liabilities under investment contracts			**79 997**	**79 997**	**79 997**	
Financial liabilities at amortised cost	**3 167**			**3 167**		
Third party financial liabilities arising on consolidation of mutual funds			**42 456**	**42 456**	**42 456**	
Derivative liabilities			**6 523**	**6 523**	**4 500**	**2 023**
Insurance and other payables			**13 089**	**13 089**		**13 089**
Total financial instrument liabilities	**3 167**	**9 867**	**142 065**	**155 099**	**126 953**	**15 112**
Fair value of amortised cost liabilities	**3 084**					

(1) Amortised cost

The R1 247 million financial instrument asset relates to policyholder loans. The fair value has been determined by utilising a discounted cash flow model utilising discount rates ranging between 11,3% and 18,4%. The financial liabilities comprise subordinated bonds of R3 069 million, non-controlling interests loan of R93 million and redeemable preference shares of R5 million. The fair value of these liabilities is R2 986 million, R93 million and R5 million respectively, using discount rates ranging between 7,4% and 9,9%.

(2) Financial soundness value

The financial soundness valuation methodology is described in SAP 104 issued by the Actuarial Society of South Africa. With regards to investment contracts with discretionary participation features, the group cannot reliably measure the fair value of the investment contracts with discretionary participation features (DPF). The DPF is a contractual right that gives investors in these contracts the rights to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group. Given the discretionary nature of these investments returns and the absence of an exchange market in these contracts, there is no generally recognised methodology available to determine fair value. These instruments are issued by the group and the intention is to hold the instruments to full contract term.

(3) Fair value hierarchy not provided

The fair value of prepayments, insurance and other receivables, cash and cash equivalents and insurance and other payables approximate their carrying value and are not included in the hierarchy table as their settlement terms are short-term and therefore, from a materiality perspective, fair values are not required to be modelled.

Financial instruments measurement analysis and fair value hierarchy
as at 31 December 2013

Audited Designation per Financial Position Statement	Measurement basis Amortised cost[(1)] Rm	Financial soundness value[(2)] Rm	Fair value Rm	Total Rm	Fair value hierarchy Provided below Rm	Not provided[(3)] Rm
Assets						
Pledged assets			1 348	1 348	1 348	
Derivative assets			6 387	6 387	4 956	1 431
Interest in joint ventures – measured at fair value			400	400	400	
Interest in associates – measured at fair value			15 361	15 361	15 361	
Financial instruments	1 214		277 829	279 043	277 829	
Prepayments, insurance and other receivables			3 841	3 841		3 841
Cash and cash equivalents			9 870	9 870		9 870
Properties (investment and owner-occupied)			30 024	30 024	30 024	
Total financial instrument assets	1 214		345 060	346 274	329 918	15 142
Fair value of amortised cost assets	1 091					
Liabilities						
Investment contracts with discretionary participation features		9 056		9 056		
Financial liabilities under investment contracts			74 146	74 146	74 146	
Financial liabilities at amortised cost	3 167			3 167		
Third party financial liabilities arising on consolidation of mutual funds			39 983	39 983	39 983	
Derivative liabilities			4 860	4 860	4 860	
Insurance and other payables			9 716	9 716		9 716
Total financial instrument liabilities	3 167	9 056	128 705	140 928	118 989	9 716
Fair value of amortised cost liabilities	3 110					

(1) *Amortised cost*
The R1 214 million financial instrument asset relates to policyholder loans. The fair value has been determined by utilising a discounted cash flow model utilising discount rates ranging between 11,0% and 18,9%. The financial liabilities comprise subordinated bonds of R3 069 million, non-controlling interests loan of R93 million and redeemable preference shares of R5 million. The fair value of these liabilities is R3 013 million, R92 million and R5 million respectively, using discount rates ranging between 7,2% and 8,3%.

(2) *Financial soundness value*
The financial soundness valuation methodology is described in SAP 104 issued by the Actuarial Society of South Africa. With regards to investment contracts with discretionary participation features, the group cannot reliably measure the fair value of the investment contracts with discretionary participation features (DPF). The DPF is a contractual right that gives investors in these contracts the rights to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group. Given the discretionary nature of these investments returns and the absence of an exchange market in these contracts, there is no generally recognised methodology available to determine fair value. These instruments are issued by the group and the intention is to hold the instruments to full contract term.

(3) *Fair value hierarchy not provided*
The fair value of prepayments, insurance and other receivables, cash and cash equivalents and insurance and other payables approximate their carrying value and are not included in the hierarchy table as their settlement terms are short-term and therefore, from a materiality perspective, fair values are not required to be modelled.

Fair value hierarchy
The information below analyses assets and liabilities which are carried at fair value at each reporting period, by level of hierarchy as required by IFRS 7 and IFRS 13. The different levels in the hierarchy are defined below:

Level 1 – Values are determined using readily and regularly available quoted prices in an active market for identical assets or liabilities. These prices would primarily originate from the Johannesburg Stock Exchange, the Bond Exchange of South Africa or an international stock or bond exchange.

Level 2 – Values are determined using valuation techniques or models, based on assumptions supported by observable market prices or rates either directly (that is, as prices) or indirectly (that is, derived from prices) prevailing at the financial position date. The valuation techniques or models are periodically reviewed and the outputs validated.

Level 3 – Values are estimated indirectly using valuation techniques or models for which one or more of the significant inputs are reasonable assumptions (that is unobservable inputs), based on market conditions.

Financial instruments measurement (continued)

Fair value hierarchy of instruments measured at fair value
as at 30 June 2014

The table below analyses the fair value measurement of applicable assets by level:

Unaudited

Rm	Level 1	Level 2	Level 3	Total
30 June 2014				
Equity instruments	119 927	383	700	121 010
Listed ordinary shares on the JSE	81 255			81 255
Foreign equities listed on an exchange other than the JSE	38 672			38 672
Unlisted equities		383	320	703
Interest in associates –measured at fair value			380	380
Debt instruments	60 704	25 251	773	86 728
Preference shares listed on the JSE or foreign exchanges	1 902			1 902
Unlisted preference shares		1 026	260	1 286
Listed term deposits[1] on BESA, JSE or foreign exchanges	58 802	4 891		63 693
Unlisted term deposits[1]		19 334		19 334
Interest in associates – measured at fair value			513	513
Mutual funds[2]	173	77 779	89	78 041
Active market	173	75 502		75 675
Property		1 514		1 514
Equity	48	19 691		19 739
Interest-bearing instruments		16 491		16 491
Mixed	125	37 806		37 931
Non-active market		2 277	89	2 366
Equity		2 277	85	2 362
Mixed			4	4
Investment policies		28 926		28 926
Derivatives		4 688		4 688
Equity		1 314		1 314
Foreign exchange		9		9
Interest rate		3 365		3 365
Properties (investment and owner-occupied)			28 289	28 289
Assets subject to fair value hierarchy analysis	180 804	137 027	29 851	347 682
Comprising:				
Held-for-trading		4 688		4 688
Designated as at fair value through profit or loss	180 804	132 339	1 562	314 705
Properties measured at fair value			28 289	28 289
Total assets carried at fair value	180 804	137 027	29 851	347 682

(1) *Term deposits include instruments which have a defined maturity date and capital repayment. These instruments are by nature interest bearing at a predetermined rate, which is either fixed or referenced to quoted floating indices.*

(2) *Mutual funds are categorised into property, equity or interest-bearing instruments based on a minimum of 80% of the underlying asset composition of the fund by value being of a like category. In the event of "no one category meeting this threshold" it is classified as mixed assets class.*

There have been no transfers between level 1, 2 or 3 during the period.

Fair value hierarchy of instruments measured at fair value (continued)
as at 31 December 2013

Audited

Rm	Level 1	Level 2	Level 3	Total
31 December 2013				
Equity instruments	111 639	6	728	112 373
Listed ordinary shares on the JSE	78 702			78 702
Foreign equities listed on an exchange other than the JSE	32 937			32 937
Unlisted equities		6	328	334
Interest in joint ventures –measured at fair value			400	400
Debt instruments	65 527	21 218	238	86 983
Preference shares listed on the JSE or foreign exchanges	1 928			1 928
Unlisted preference shares		1 012	238	1 250
Listed term deposits[1] on BESA, JSE or foreign exchanges	63 599	2 830		66 429
Unlisted term deposits[1]		17 376		17 376
Mutual funds[2]	249	68 731	246	69 226
Active market	249	66 555		66 804
Property		1 747		1 747
Equity	249	20 257		20 506
Interest-bearing instruments		14 551		14 551
Mixed		30 000		30 000
Non-active market		2 176	246	2 422
Equity		2 176	90	2 266
Mixed			156	156
Investment policies		26 356		26 356
Derivatives		4 956		4 956
Equity		1 227		1 227
Foreign exchange		17		17
Interest rate		3 712		3 712
Properties (investment and owner-occupied)			30 024	30 024
Assets subject to fair value hierarchy analysis	177 415	121 267	31 236	329 918
Comprising:				
Held-for-trading		4 956		4 956
Designated as at fair value through profit or loss	177 415	116 311	1 212	294 938
Properties measured at fair value			30 024	30 024
Total assets carried at fair value	177 415	121 267	31 236	329 918

[1] *Term deposits include instruments which have a defined maturity date and capital repayment. These instruments are by nature interest bearing at a predetermined rate, which is either fixed or referenced to quoted floating indices.*

[2] *Mutual funds are categorised into property, equity or interest-bearing instruments based on a minimum of 80% of the underlying asset composition of the fund by value being of a like category. In the event of "no one category meeting this threshold" it is classified as mixed assets class.*

Financial instruments measurement (continued)

The table below analyses the fair value measurement of applicable financial instrument liabilities which are all categorised as level 2:

Rm	Unaudited 30 June 2014	Audited 31 December 2013
Liabilities		
Long-term investment contract liabilities	**79 997**	74 146
Third party financial liabilities arising on consolidation of mutual funds	**42 456**	39 983
Derivatives	**4 500**	4 860
Total financial instrument liabilities carried at fair value	**126 953**	118 989
Comprising:		
Held-for-trading	**4 500**	4 860
Fair value through profit or loss	**122 453**	114 129
Total financial instrument liabilities carried at fair value	**126 953**	118 989

There were no transfers between levels 1, 2 and 3 during the period.

Reconciliation of level 3 assets

The table below analyses the movement of level 3 assets (investment and owner-occupied property and financial instruments) for the period under review:

Rm	Unaudited 30 June 2014	Audited 31 December 2013
Balance at the beginning of the year	**31 236**	29 791
Fair value adjustment recognised in profit or loss as part of investment gains/(losses) [(1)]	**244**	2 518
Fair value adjustment recognised in other comprehensive income	**13**	28
Foreign currency translation		37
Additions	**782**	1 752
Disposals	**(2 424)**	(2 890)
Balance at the end of the period	**29 851**	31 236
Investment and owner-occupied properties	**28 289**	30 024
Financial instruments – equity and mutual funds	**789**	974
– debt	**773**	238

[(1)] *Included in the fair value adjustment is a R211 million (31 December 2013: R2 409 million) unrealised gain.*

Level 3 – significant fair value model assumptions and sensitivities

Investment and owner-occupied property

Investment properties (including owner-occupied properties) fair values were derived by determining sustainable net rental income, to which an appropriate capitalisation rate is applied. Capitalisation rates are adjusted for occupancy levels, age of the building, location and expected future benefit of recent alterations.

The capitalisation rates applied at 30 June 2014 range between 7,0% to 11,0% (31 December 2013: 7,0% to 11,0%). This compares to the ten year government yield of 8,39% (31 December 2013: 8,14%). The non observable adjustments included in the valuation can therefore be referenced to the variance to the ten year government rate.

The table below indicates the sensitivity of the aggregate market values for a 0,5% change in the capitalisation rate. It should be noted that as both the investment and the owner-occupied properties are entirely linked to policyholder benefits and consortium non-controlling interests there is no impact to group ordinary shareholder comprehensive income or equity for any changes in the fair value measurement.

Fair value hierarchy of instruments measured at fair value (continued)
as at 30 June 2014

Unaudited **30 June 2014**	**Rm**	**Change in capitalisation rate** **0,5% increase**	**0,5% decrease**
Properties between 7,0 – 9,0% capitalisation rate	**22 909**	**21 420**	**24 625**
Properties between 9,1 – 11,0% capitalisation rate	**5 380**	**5 114**	**5 675**
Total	**28 289**	**26 534**	**30 300**
Audited 31 December 2013			
Properties between 7,0 – 9,0% capitalisation rate	22 550	21 083	24 237
Properties between 9,1 – 11,0% capitalisation rate	7 474	7 072	7 919
Total	30 024	28 155	32 156

Financial instrument assets

Equities and mutual funds R789 million (31 December 2013: R974 million) – earnings multiples applied between 7 and 10 times.

Debt instruments R773 million (31 December 2013: R238 million) – discount rates applied between 7% and 11%.

Approximately 65% (31 December 2013: 57%) of these assets are allocated to policyholder unit linked portfolios where changes in estimates would be offset by equal changes in liability values.

The net shareholder exposure is approximately R541 million (31 December 2013: R519 million). Changes to discount rates and implied earnings multiples applied of 50bps would result in between positive R23 million to negative R21 million (31 December 2013: positive R22 million to negative R20 million) after taxation net impact to profit or loss and shareholder funds.

Group's valuation process

The group's appointed asset managers have qualified valuators that perform the valuations of financial assets and properties required for financial reporting purposes, including level 3 fair values. These valuations are reviewed and approved every reporting period by the group balance sheet committee. The committee is chaired by the group's Executive Director – Finance and Risk.

The fair value of level 3 instruments are determined using valuation techniques that incorporate certain assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include the assumed risk adjusted discount rate applied to estimate future cash flows and the liquidity and credit spreads applied to debt instruments. Changes in these assumptions could affect the reported fair value of these financial instruments.

Financial instruments measurement (continued)

Valuation techniques used in determining the fair value of financial assets and liabilities classified within level 2

Instrument	Valuation basis/techniques	Main assumptions
Unlisted preference shares	Discounted cash flow model (DCF)	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
Unlisted term deposits and illiquid listed term deposits	DCF	Bond and interbank swap interest rate curves Issuer credit ratings Liquidity spreads
Mutual funds	Quoted put (exit) price provided by the fund manager	Price – not applicable Notice period – bond interest rate curves
Investment policies	Quoted put/surrender price provided by the issuer, adjusting for any applicable notice periods (DCF)	Price – not applicable Notice period – bond interest rate curves
Derivative assets and liabilities	Option pricing models DCF	Volatility and correlation factors Bond and interbank swap interest rate curves Forward equity and currency rates
Policyholder investment contracts liabilities		
– unit-linked policies	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Prices – not applicable Own credit/liquidity
– annuity certains	DCF	Bond and interbank swap interest rate curves Own credit/liquidity
Third party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable

Valuation techniques used in determining the fair value of assets and liabilities classified within level 3

Instrument	Valuation basis/techniques	Main assumptions
Investment and owner-occupied properties	DCF	Capitalisation discount rate Price per square metre Long-term net operating income margin Vacancies Market rental trends (average net rental growth of between 2,3% – 2,5%) Economic outlook Location Hotel income trends/inflation based Hotel occupancy (range between 50% – 75%)
	Sale price (if held for sale)	Not applicable
Unlisted equities, including joint ventures – measured at fair value	DCF/earnings multiple	Cost of capital Bond and interbank swap interest rate curves Consumer price index Gross domestic product If a property investment entity, then assumptions applied are as above under investment and owner-occupied properties
	Recent arm's length transactions	Not applicable
Unlisted preference shares	DCF	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
	Recent arm's length transactions	Not applicable

Offsetting

as at 30 June 2014

Unaudited

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

However of the gross derivatives assets recognised of R6 706 million (31 December 2013: R6 387 million) and gross derivative liabilities R6 523 million (31 December 2013: R4 860 million), derivative assets of R6 589 million (31 December 2013: R6 265 million) and derivative liabilities of R6 346 million (31 December 2013: R4 671 million) are subject to master netting arrangements, with a net exposure of R243 million (31 December 2013: R1 594 million).

Notes