



LIBERTY

Liberty Holdings Limited

Financial
results

2014

For the year ended 31 December

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Financial performance indicators

for the year ended 31 December 2014

	2014	2013	% change
Liberty Holdings Limited			
Earnings			
Basic earnings per share (cents)	1 523,5	1 517,9	-
BEE normalised headline earnings per share (cents)	1 403,3	1 439,6	(3)
BEE normalised operating earnings (Rm)	2 586	2 198	18
BEE normalised return on equity (%)	20,4	23,3	(12)
Group equity value			
BEE normalised group equity value per share (R)	139,85	126,08	11
BEE normalised return on group equity value (%)	16,9	16,1	5
Distributions per share (cents)			
Normal dividend	634	581	9
Interim dividend	232	212	9
Final dividend	402	369	9
Total assets under management (Rbn)	633	611	4
Long-term insurance operations			
Indexed new business (excluding contractual increases) (Rm)	7 789	6 947	12
Embedded value of new business (Rm)	941	839	12
New business margin (%)	2,1	2,2	(5)
Net customer cash inflows (Rm)	9 870	6 316	56
Capital adequacy cover of Liberty Group Limited (times covered)	3,07	2,56	20
Asset management - STANLIB			
Assets under management (Rbn)	551	545	1
Net cash (outflows)/inflows including money market (Rm) ⁽¹⁾	(7 321)	15 725	(>100)
Retail and institutional net cash inflows excluding money market (Rm) ⁽¹⁾	6 417	13 527	(53)
Money market net cash (outflows)/inflows (Rm) ⁽¹⁾	(13 738)	2 198	(>100)

⁽¹⁾ Excludes intergroup life funds.

Preparation and supervision:

This announcement on Liberty Holdings Limited's annual financial results for the year ended 31 December 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).

Financial review

for the year ended 31 December 2014

The group's second half financial performance was significantly improved on most indicators, including operating and equity value earnings. This supported a full year return on group equity value of 17%, well above our medium-term expectation of 13%.

In the group's long-term insurance operations indexed new business grew 12% to R7 789 million, supported by strong single premium investment sales. Net customer cash inflows were R11,8 billion (2013: R7,2 billion), including a R1,96 billion contribution from the recently launched Retail LISP. Corporate business customer flows were substantially positive at R3,4 billion (2013: negative R0,1 billion) due to several large investment and bulk annuity sales. New business margins improved in the second half but at 2,1% is slightly below the 2,2% achieved in 2013, largely due to changes in product mix. The insurance business continues to manage well 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's asset manager, STANLIB suffered from the negative sentiment to money market funds following the African Bank failure as well as investor trends to higher risk asset classes. This contributed to net withdrawals of R13,7 billion from the various STANLIB money market funds. Both the higher margin retail and institutional mandates however, had net inflows of R5,8 billion and R0,6 billion respectively. Assets under management across the group grew by 4% from 31 December 2013 to R633 billion.

The Shareholder Investment Portfolio (SIP) gross performance of 10,3% was close to benchmark, supported by solid contributions from local and international equity markets as well as alternative asset classes.

Group BEE normalised headline earnings of R3 968 million are 3% lower, representing an 18% growth in operating earnings and a 26% decrease in earnings from the SIP. The growth in operating earnings was achieved by strong performances from Retail SA, Liberty Corporate and LibFin Markets.

BEE normalised group equity value per share of R139,85 is R13,77 up on 31 December 2013, and reflects R6 031 million of equity value profits, or an annualised 16,9% return on opening group equity value.

Consistent management of the group's risks within the board approved risk appetite has supported the strengthening of the group's capital position with the capital adequacy ratio in the group's main long-term insurance licence, Liberty Group Limited, improving to 3,07 times (31 December 2013: 2,56 times) the regulatory minimum.

The group's positive performance reflects delivery on the strategy agreed with the board, supported by a comprehensive governance structure. Management and the board have refreshed strategy with a time horizon to 2020. Key elements of this strategy are:

- A greater focus on customer centricity - with three customer facing units formed, namely Individual Arrangements, Group Arrangements and Asset Management;
- Recognising the significant changes in the regulatory environment and government's social agenda in South Africa which is likely to lead to a higher demand for products and services of group arrangements;
- Managing the core South African insurance operations within acceptable sustainable long-term assumption sets;
- Launching innovative new products to service targeted customer segments and profitably capture greater market shares;
- Optimising the balance sheet within board approved risk appetite limits;
- Accelerating the asset management strategy into increasing our alternative asset franchise offerings and capturing a greater share of flows into Africa;
- Expanding our geographical footprint into expected high growth regions of sub-Saharan Africa; and
- Maximising 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. Our 31 December 2014 capital calculations under the current draft SAM guidelines indicates 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 embraces these changes that are aimed at improving the sustainability of the industry.

Earnings by business unit

for the year ended 31 December 2014

Unaudited	2014 Rm	2013 Rm	% change
Insurance			
Individual arrangements	1 689	1 467	15
Group arrangements	199	133	50
Liberty Corporate	170	121	40
Liberty Africa Insurance ⁽¹⁾	59	52	13
Liberty Health	(30)	(40)	25
Balance sheet management	220	137	61
LibFin Markets – credit portfolio	189	132	43
LibFin Markets – asset/liability matching	31	5	>100
Asset management			
STANLIB	703	677	4
South Africa	603	571	6
Other Africa	59	62	(5)
Liberty Properties	41	44	(7)
Central overheads and sundry income	(225)	(216)	(4)
BEE normalised operating earnings	2 586	2 198	18
LibFin Investments	1 382	1 878	(26)
BEE normalised headline earnings	3 968	4 076	(3)
BEE preference share adjustment	(53)	(62)	15
Headline earnings	3 915	4 014	(2)

⁽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 group arrangements as the majority of premiums are derived from institutional clients.

Financial review

for the year ended 31 December 2014 (continued)

Individual arrangements

Headline earnings from the group's South African retail operations are R1 689 million (2013: R1 467 million) reflecting an earnings increase of 15%. An increased asset base on which management fees are charged, ongoing good expense management and positive risk variances are significant contributors to the result.

The Retail 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 R2 billion in net new investments. The innovative Evolve investment product range continues to outperform expectations with single premium investment sales totalling R5,8 billion for the year up 64% on 2013.

Indexed new business sales (excluding the Retail LISP and contractual increases) of R6.4 billion, increased by 6% over 2013 including a 15% increase in single premium business. Recurring premium business is marginally higher by 2,5% on last year partly due to a slow down in bank lending which has impacted credit life sales under the bancassurance agreement and partly due to an increasingly demanding consumer environment. The value of new business increased by 7% to R793 million at a margin of 2,3% (2013: 2,4%) and remains within the medium-term targeted range. The risk discount rate ended at similar levels to 31 December 2013 and therefore had very little impact. The slight decrease in margin is attributable to the relative lower growth of higher margin risk products to investment products.

Net cash inflows (excluding the Retail LISP) are pleasing at R5,9 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 in excess of 30 000 at 31 December 2014.

Group arrangements

Liberty Corporate

Improved headline earnings of R170 million (up 40%) are mainly a function of higher asset based management fees and cost control. This is despite absorbing R72 million new business strain relating to the substantial new business volumes written. The continued innovation in Liability Driven Investment Solutions products has been well received in the market and has resulted in attracting a number of large investment and bulk annuity mandates.

Indexed new business has consequently grown by 51% to R1 195 million and contributed a value of new business of R121 million at a margin of 1,1%.

Whilst acknowledging the volatility of investment mandates in reflecting cash flows, management is very encouraged by net customer cash inflows of R3 438 million which are positive for the first time since 2007.

Liberty Africa Insurance

East and Southern Africa (excluding South Africa) insurance businesses contributed R59 million (2013: R52 million) to Liberty's headline earnings for the year. The long-term insurance operations have performed to expectation and the short-term business had a better second half. Net claims loss ratios (after re-insurance) have been consistent with last year 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 6,5%.

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 year is R30 million (2013: R40 million loss). With effect from 1 August 2014, Liberty acquired the remaining non-controlling shareholder equity interests in Liberty Health (equity and loan claims) for R133 million. Liberty Health is now a 100% held subsidiary allowing for greater flexibility in executing strategy.

Balance sheet management

Asset liability management and credit portfolio (LibFin Markets)

LibFin Markets contributed R220 million to headline earnings (2013: R137 million).

The Credit Portfolio, a diversified portfolio of government, state owned enterprise and corporate securities backing the guaranteed investment product set, contributed R189 million (2013: R132 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 R31 million for the year (2013: R5 million) benefiting from low realised volatility in equity and interest rate markets during 2014.

LibFin assets under management at 31 December 2014 was R45 billion (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 10,3% (2013: 14,6%) which was marginally behind benchmark for the year.

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 interest rate environment during the period as well as the benefit of tactical asset allocations to infrastructure assets.

The portfolio contributed R1 382 million (2013: R1 878 million) to the group's headline earnings broadly in line with decreased market returns partially offset by the growth in the average asset base invested.

Asset management

STANLIB

STANLIB's headline earnings of R662 million are 5% higher compared to the equivalent period in 2013. Net cash outflows (excluding inter group) of R7,3 billion compare to the inflows of R15,7 billion in 2013. The outflows comprise net withdrawals of R13,7 billion from the various STANLIB money market funds and net inflows of R6,4 billion into higher margin retail and institutional mandates. The substantial outflows in the second half, associated costs and reduced fee income arising from the African Bank failure and the decision to cease initial fees has resulted in lower earnings growth in South Africa. The recent investments in building alternative asset class capabilities are attracting significant investor interest.

Total assets under management increased slightly to R551 billion at 31 December 2014 (2013: R545 billion) reflecting the impacts of negative net cash flows both from external and intergroup mandates.

STANLIB's unit trusts recently received four Raging Bull awards. The five year performance of over 60% of the STANLIB surveyed institutional and core retail funds are in the first or second quartiles.

Liberty Properties

Liberty Properties, which comprises property management and development, has contributed R41 million (2013: R44 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.

The value of new business derived from Liberty insurance products (excluding credit life) for the year from bancassurance channels are over 30% higher than 2013. STANLIB received a 4% 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 31 December 2014 increased to R1,5 billion (2013: R1,3 billion).

Tax legislation

The 2014 Taxation Laws Amendment Act, which corrected the applicable legislation in regard to long-term insurers' expense relief formulas (with retrospective effect), was signed into law in early 2015. All the applicable group's liabilities at 31 December 2014 have been modelled using this legislation.

Capital adequacy cover

The capital adequacy cover of Liberty Group Limited strengthened to 3,07 times the statutory requirement (2013: 2,56 times). All the other group subsidiary life licences remain well capitalised.

Capital adequacy requirements in South Africa are set at the higher of the "termination" (TCAR) basis or "ordinary" (OCAR) basis. Both 2014 and 2013 reflect the higher amount as OCAR.

Dividends

2014 final dividend

In line with the group's dividend policy, the board has approved and declared a gross final dividend of 402 cents per ordinary share. The final 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, 10 April 2015.

The dividend of 402 cents per ordinary share will be subject to a local dividend tax rate of 15% which will result in a net final dividend, to those shareholders who are not exempt from paying dividend tax, of 341,7 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.

The important dates pertaining to the dividend are as follows:

Last date to trade <i>cum</i> dividend on the JSE	Wednesday, 1 April 2015
First trading day <i>ex</i> dividend on the JSE	Thursday, 2 April 2015
Record date	Friday, 10 April 2015
Payment date	Monday, 13 April 2015

Financial review

for the year ended 31 December 2014 (continued)

Share certificates may not be dematerialised or rematerialised between Thursday, 2 April 2015 and Friday, 10 April 2015, 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, 13 April 2015.

Prospects

Our established track record of exceeding our targeted return on group equity value gives us confidence that we can continue to sustainably grow the business.

Our strategic direction positions us well to adapt to the changing consumer and regulatory environment.

Thabo Dloti
Chief Executive

Jacko Maree
Chairman

25 February 2015



LIBERTY

www.libertyholdings.co.za

Liberty Holdings Limited

Incorporated in the Republic of South Africa
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JSE code: LBH
ISIN code: ZAE0000127148
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Transfer Secretaries

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(Registration number: 2004/003647/07)
Ground Floor, 70 Marshall Street, Johannesburg 2001
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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 2014 summary consolidated annual financial statements of Liberty Holdings Limited have been prepared in accordance with and containing information required by:

- International Financial Reporting Standards (IFRS) including IAS 34 *Interim Financial Reporting* (with the exception of disclosures required under IAS 34 16A (j) relating to fair value measurement, which are not required by the JSE Listing Requirements);
- the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;

- the Listings Requirements of the JSE Limited; and
- the South African Companies Act No. 71 of 2008.

The financial statements have been prepared in compliance with IFRS and interpretations for year ends commencing on or after 1 January 2014. The accounting policies are consistent with those adopted in the previous year 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 group's 2014 reported results, comparative periods or disclosures.

Auditor statement

PricewaterhouseCoopers Inc. (PwC) have audited the consolidated annual financial statements of Liberty Holdings Limited from which the summary consolidated financial results have been extracted. These summary consolidated financial results comprise the summary consolidated statement of financial position at 31 December 2014, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and selected explanatory notes. These statements and related notes are marked as 'audited'.

The financial results contained in this announcement have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated annual financial statements, from which the summary consolidated financial results were extracted, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements. This announcement does not include the information required pursuant to paragraph 16A (j) of IAS 34. The full IAS 34 compliant summary consolidated financial results announcement is available on the company's website and at the company's registered office.

The auditors have expressed an unmodified audit opinion on the consolidated annual financial statements. PwC have also issued an unmodified assurance opinion on Liberty Holdings Limited's group equity value report, which has also been marked as 'audited' in this financial results announcement.

Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' reports together with the accompanying financial information which is available upon request from Liberty Holdings Limited's registered office.

Directors' responsibility

The summary group financial statements included in this announcement are the full responsibility of the directors. The directors confirm that the financial information has been

correctly extracted from the underlying audited consolidated group annual financial statements which are available for inspection at the company's registered office on request.

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.

Consolidated statement of **financial position**

as at 31 December 2014

Audited	2014	2013
	Rm	Rm
Assets		
Equipment and owner-occupied properties under development	975	1 114
Owner-occupied properties	1 464	1 410
Investment properties	27 022	27 299
Intangible assets	368	475
Defined benefit pension fund employer surplus	277	210
Deferred acquisition costs	590	527
Interests in joint ventures		404
Reinsurance assets	1 558	1 609
Long-term insurance	1 302	1 161
Short-term insurance	256	448
Operating leases – accrued income	1 261	1 315
Pledged assets measured at fair value through profit or loss	6 991	1 348
Assets held for trading and for hedging	7 777	6 387
Interests in associates – measured at fair value through profit or loss	16 497	15 361
Financial investments	292 844	279 043
Deferred taxation	455	354
Prepayments, insurance and other receivables	3 668	3 913
Cash and cash equivalents	13 985	9 870
Total assets	375 732	350 639
Liabilities		
Long-term policyholder liabilities	287 516	263 944
Insurance contracts	195 356	180 742
Investment contracts with discretionary participation features	10 177	9 056
Financial liabilities under investment contracts	81 983	74 146
Short-term insurance liabilities	683	846
Financial liabilities at amortised cost	3 575	3 167
Third party financial liabilities arising on consolidation of mutual funds	34 501	39 983
Employee benefits	1 371	1 344
Deferred revenue	216	194
Deferred taxation	4 131	3 586
Deemed disposal taxation liability	268	544
Provisions	173	195
Derivative liabilities	5 148	4 860
Insurance and other payables	14 251	9 716
Current taxation	265	904
Total liabilities	352 098	329 283
Equity		
Ordinary shareholders' interests	19 487	17 654
Share capital	26	26
Share premium	5 755	5 985
Retained surplus	14 599	12 454
Other reserves	(893)	(811)
Non-controlling interests	4 147	3 702
Total equity	23 634	21 356
Total equity and liabilities	375 732	350 639

Consolidated statement of **comprehensive income**

for the year ended 31 December 2014

Audited	2014 Rm	2013 Rm
Revenue		
Insurance premiums	42 139	35 782
Reinsurance premiums	(1 415)	(1 316)
Net insurance premiums	40 724	34 466
Service fee income from investment contracts	916	900
Investment income	15 796	13 220
Hotel operations sales	673	809
Investment gains	19 274	33 554
Fee revenue and reinsurance commission	2 322	2 324
Total revenue	79 705	85 273
Claims and policyholder benefits under insurance contracts	(32 629)	(25 904)
Insurance claims recovered from reinsurers	898	1 357
Change in long-term policyholder liabilities	(15 469)	(20 698)
Insurance contracts	(14 559)	(15 937)
Investment contracts with discretionary participation features	(1 050)	(4 941)
Applicable to reinsurers	140	180
Fair value adjustment to policyholder liabilities under investment contracts	(7 473)	(10 135)
Fair value adjustment on third party mutual fund interests	(3 585)	(7 832)
Acquisition costs	(4 579)	(4 233)
General marketing and administration expenses	(9 376)	(9 079)
Finance costs	(407)	(327)
Profit share allocations under bancassurance and other agreements	(876)	(984)
Profit before taxation	6 209	7 438
Taxation ⁽²⁾	(1 926)	(2 968)
Total earnings	4 283	4 470
Other comprehensive income	(47)	88
Items that may be reclassified subsequently to profit or loss	(52)	56
Net change in fair value on cash flow hedges	(129)	(183)
Income and capital gains tax relating to net change in fair value on cash flow hedges	36	53
Foreign currency translation	41	186
Items that may not be reclassified subsequently to profit or loss	5	32
Owner-occupied properties – fair value adjustment	22	28
Income and capital gains tax relating to owner-occupied properties fair value adjustment	(25)	(10)
Change in long-term policyholder insurance liabilities (application of shadow accounting)	(12)	(22)
Actuarial (losses)/gains on post-retirement medical aid liability	(16)	24
Income tax relating to post-retirement medical aid liability	4	(7)
Net adjustments to defined benefit pension fund ⁽¹⁾	62	26
Income tax relating to defined benefit pension fund	(30)	(7)
Total comprehensive income	4 236	4 558
Total earnings attributable to:		
Ordinary shareholders' interests	3 917	3 908
Non-controlling interests	366	562
	4 283	4 470
Total comprehensive income attributable to:		
Ordinary shareholders' interests	3 864	3 936
Non-controlling interests	372	622
	4 236	4 558
Basic and fully diluted earnings per share	Cents	Cents
Basic earnings per share	1 523,5	1 517,9
Fully diluted basic earnings per share	1 392,4	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.

⁽²⁾ IFRS requires both policyholder and shareholder taxation to be reported in the taxation line. This therefore distorts the effective tax charge relative to profit before taxation.

Headline earnings and earnings per share

for the year ended 31 December 2014

Audited	2014 Rm	2013 Rm
Reconciliation of total earnings to headline earnings attributable to equity holders		
Total earnings attributable to equity holders	3 917	3 908
Preference share dividend	(2)	(2)
Basic earnings attributable to ordinary shareholders	3 915	3 906
Derecognition and impairment of intangible assets		126
FCTR recycled through profit or loss		(18)
Headline earnings attributable to ordinary shareholders	3 915	4 014
Net income earned on BEE preference shares	53	62
BEE normalised headline earnings attributable to ordinary shareholders	3 968	4 076
Weighted average number of shares in issue ('000)	256 975	257 334
BEE normalised weighted average number of shares in issue ('000)	282 771	283 130
Fully diluted weighted average number of shares in issue ('000)	281 165	280 329
Earnings per share	Cents	Cents
Total earnings attributable to ordinary shareholders		
Basic	1 523,5	1 517,9
Headline	1 523,5	1 559,8
BEE normalised headline	1 403,3	1 439,6
Fully diluted earnings attributable to ordinary shareholders		
Basic	1 392,4	1 393,4
Headline	1 392,4	1 431,9

Summary statement of **changes in shareholders' funds**

for the year ended 31 December 2014

Audited	2014 Rm	2013 Rm
Balance of ordinary shareholders' interests at 1 January	17 654	15 410
Ordinary dividends	(1 719)	(1 566)
Special dividend		(371)
Total comprehensive income	3 864	3 936
Share buy-backs net of share subscriptions	(355)	(15)
Black Economic Empowerment transaction	153	171
Share-based payments	133	109
Preference dividends	(2)	(2)
Transactions between owners	(230)	
Common control transaction	(11)	
FCTR recycled through profit or loss		(18)
Ordinary shareholders' interests	19 487	17 654
Balance of non-controlling interests at 1 January	3 702	3 101
Total comprehensive income	372	622
Unincorporated property partnerships net distributions	(79)	(6)
Non-controlling share of subsidiary dividend	(38)	(17)
FCTR recycled through profit or loss		2
Transactions between owners	190	
Non-controlling interests	4 147	3 702
Total equity	23 634	21 356

Summary statement of **cash flows**

for the year ended 31 December 2014

Audited	2014 Rm	2013 Rm
Operating activities	5 832	8 196
Investing activities	(1 928)	(10 014)
Financing activities	179	1 157
Net increase/(decrease) in cash and cash equivalents	4 083	(661)
Cash and cash equivalents at the beginning of the year	9 870	10 418
Cash and cash equivalents acquired through business acquisition	5	
Foreign currency translation	27	113
Cash and cash equivalents at the end of the year	13 985	9 870

Summary segment information

for the year ended 31 December 2014

The audited segment results for the year ended 31 December 2014 are as follows:

Rm	Long-term insurance		Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments ⁽¹⁾	IFRS reported
	Retail	Corporate							
Total revenue	62 914	20 407	1 193	3 067	317	1 957	89 855	(10 150)	79 705
Profit/(loss) before taxation	3 944	405	107	944	(73)	587	5 914	295	6 209
Taxation	(1 713)	(102)	(28)	(230)	22	125	(1 926)		(1 926)
Total earnings/(loss)	2 231	303	79	714	(51)	712	3 988	295	4 283
Other comprehensive (loss)/income	(95)	(3)	9	10		32	(47)		(47)
Total comprehensive income/(loss)	2 136	300	88	724	(51)	744	3 941	295	4 236
Attributable to:									
Non-controlling interests	(39)	(23)	(39)	(8)	14	18	(77)	(295)	(372)
Equity holders	2 097	277	49	716	(37)	762	3 864		3 864
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders									
Total earnings/(loss)	2 231	303	79	714	(51)	712	3 988	295	4 283
Attributable (to)/from non-controlling interests	(37)	(23)	(35)	(8)	14	18	(71)	(295)	(366)
Preference share dividend						(2)	(2)		(2)
Headline earnings/(loss)	2 194	280	44	706	(37)	728	3 915		3 915
Net income earned on BEE preference shares						53	53		53
BEE normalised headline earnings/(loss)	2 194	280	44	706	(37)	781	3 968		3 968

⁽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.

Summary **segment information**

for the year ended 31 December 2014 (continued)

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

Rm	Long-term insurance		Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments ⁽¹⁾	IFRS reported
	Retail	Corporate							
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 31 December 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 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 (2013: 10 times) multiple of estimated sustainable earnings.
Liberty Properties	Valued using a 10 times (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 31 December 2014 and 2013 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 (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 rights allocated to staff not employed by the South African covered businesses, adjusting certain deferred tax assets to current values and allowance for certain shareholder recurring costs incurred in Liberty Holdings Limited capitalised at a multiple of 9 times (2013: 9 times).

Group equity value report

as at 31 December 2014 (continued)

3. BEE normalised group equity value

3.1 Analysis of BEE normalised group equity value

Audited 2014 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	10 958		10 958	(5 508)	5 450	22 941	28 391
Individual arrangements						20 927	
Group arrangements						2 014	
Value of in-force acquired	74		74	(74)			
Working capital and other assets	6 183		6 183	(466)	5 717		5 717
South African insurance operations	17 215		17 215	(6 048)	11 167	22 941	34 108
Other group businesses:							
STANLIB		649	649	5 751	6 400		6 400
South Africa		444	444	5 356	5 800		5 800
Other Africa		205	205	395	600		600
Liberty Properties		45	45	280	325		325
Liberty Health		342	342		342		342
Liberty Africa Insurance		586	586		586		586
LibFin Credit				900	900		900
Liberty Holdings		650	650	(100)	550		550
Cost of required capital						(1 456)	(1 456)
Net equity as reported under IFRS	17 215⁽¹⁾	2 272	19 487	783	20 270	21 485	41 755
BEE preference funding	807		807		807		807
Allowance for future shareholders costs		(356)	(356)		(356)	(1 952)	(2 308)
Allowance for employee share rights	(136)	(94)	(230)		(230)		(230)
BEE normalised equity value	17 886	1 822	19 708	783	20 491	19 533	40 024
Summary of adjustments:							
Negative rand reserves	(5 508)		(5 508)				
Deferred acquisition costs	(573)		(573)				
Deferred revenue liability	207		207				
Frank Financial Services allowance for future expenses	(100)		(100)				
Carrying value of in-force business acquired	(74)		(74)				
Fair value adjustment of non SA covered business		6 931	6 931				
Impact of discounting on deferred tax asset		(100)	(100)				
	(6 048)	6 831	783				
⁽¹⁾ Reconciliation to SA covered business net worth as per analysis in supplementary information							
Net equity of SA covered business as reported under IFRS	17 215						
Adjustments as above	(6 048)						
Allowance for employee share options/rights	(136)						
BEE preference share funding	807						
Net worth as reported in supplementary information	11 838						

3. BEE normalised group equity value (continued)
3.1 Analysis of BEE normalised group equity value (continued)

Audited 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
Individual arrangements						19 830	
Group arrangements						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

as at 31 December 2014 (continued)

3. BEE normalised group equity value (continued)

3.2 BEE normalised group equity value earnings and value per share

Audited Rm (unless otherwise stated)	2014			2013		
	SA covered business	Other busi- nesses	Total	SA covered business	Other busi- nesses	Total
BEE normalised equity value at the end of the year	31 371	8 653	40 024	27 959	8 108	36 067
Equity value at the end of the year	30 564	8 653	39 217	27 054	8 108	35 162
BEE preference shares	807		807	905		905
Adjustments from group restructure				(6)	6	
Capital transactions		355	355		15	15
Funding of restricted share plan	117	(117)		87	(87)	
Intergroup dividends	1 290	(1 290)		1 653	(1 653)	
Dividends paid		1 719	1 719		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	4 819	1 212	6 031	4 119	1 162	5 281
BEE normalised return on group equity value (%)	17,3	15,4	16,9	16,2	16,1	16,1
BEE normalised number of shares (000's)			286 201			286 057
Number of shares in issue (000's)			256 946			257 801
Shares held for the employee restricted share scheme (000's)			3 459			2 460
Adjustment for BEE shares (000's)			25 796			25 796
BEE normalised group equity value per share (rand)			139,85			126,08

3. BEE normalised group equity value (continued)

3.3 Sources of BEE normalised group equity value earnings

Audited Rm	2014			2013		
	SA covered business	Other busi- nesses	Total	SA covered business	Other busi- nesses	Total
Value of new business written in the year	914	27	941	806	33	839
Expected return on value of in-force business	2 131		2 131	1 843		1 843
Variiances/changes in operating assumptions	662	(109)	553	99	(15)	84
Operating experience variances (including incentive outperformance)	709	(40)	669	249	(15)	234
Transfer of shareholder expense reserve	69	(69)				
Operating assumption changes	(62)		(62)	54		54
Changes in modelling methodology	(54)		(54)	(204)		(204)
One period replacement of shareholder expenses and inflating expenses	(122)	(67)	(189)	(113)	(38)	(151)
Headline earnings of other businesses		732	732	17	672	689
Operational equity value profits	3 585	583	4 168	2 652	652	3 304
Non headline earnings adjustments					(126)	(126)
Development costs	(52)	(25)	(77)	(53)	(29)	(82)
Economic adjustments	1 186	(338)	848	1 451	174	1 625
Investment return on net worth	965	(285)	680	1 024	174	1 198
Internally generated software	53	(53)				
Credit portfolio earnings	189		189	132		132
Change in fair value on cash flow hedges	(93)		(93)	(130)		(130)
Investment variances	14		14	1 028		1 028
Change in economic assumptions	58		58	(603)		(603)
Increase in fair value adjustments on value of other businesses		911	911		484	484
Change in allowance for fair value of share rights	100	81	181	69	7	76
Group equity value earnings	4 819	1 212	6 031	4 119	1 162	5 281

Group equity value report

as at 31 December 2014 (continued)

3. BEE normalised group equity value (continued)

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

Audited

Rm (unless otherwise stated)

	2014	2013
South African covered business:		
Individual arrangements	1 640	1 580
Traditional Life	1 472	1 387
Direct channel	77	91
Credit Life	91	102
Group arrangements	249	141
Gross value of new business	1 889	1 721
Overhead acquisition costs impact on value of new business	(874)	(833)
Cost of required capital	(101)	(82)
Net value of South African covered new business	914	806
Present value of future expected premiums	44 916	37 753
Margin (%)	2,0	2,1
Liberty Africa Insurance:		
Net value of new business	27	33
Present value of future expected premiums	413	362
Margin (%)	6,5	9,1
Total group net value of new business	941	839
Total group margin (%)	2,1	2,2

Long-term **insurance new business**

for the year ended 31 December 2014

Unaudited	2014	2013
	Rm	Rm
Sources of insurance operations total new business by customer segment		
Retail segment	25 334	22 505
Single	20 987	18 270
Recurring	4 347	4 235
Institutional segment	6 029	2 816
Single	5 207	2 144
Recurring	822	672
Total new business	31 363	25 321
Single	26 194	20 414
Recurring	5 169	4 907
Sources of insurance indexed new business		
Individual arrangements	6 375	6 000
Group arrangements:		
Liberty Corporate	1 195	789
Liberty Africa Insurance ⁽¹⁾	219	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 year ended 31 December 2014

Unaudited	2014 Rm	2013 Rm
Premiums		
Recurring	26 610	24 936
Retail segment	18 921	17 544
Institutional segment	7 689	7 392
Single	27 806	21 979
Retail segment	12 884	11 463
Immediate annuities	7 627	6 718
Institutional segment	7 295	3 798
Net premium income from insurance contracts and inflows from investment contracts	54 416	46 915
Claims and policyholders benefits		
Retail segment	(33 209)	(29 378)
Death and disability claims	(5 613)	(4 879)
Policy surrender and maturity claims	(22 978)	(20 374)
Annuity payments	(4 618)	(4 125)
Institutional segment	(11 337)	(11 221)
Death and disability claims	(1 966)	(1 859)
Scheme terminations and member withdrawals	(8 971)	(9 007)
Annuity payments	(400)	(355)
Net claims and policyholders benefits	(44 546)	(40 599)
Long-term insurance net cash flows	9 870	6 316
Sources of insurance operations cash flows by business unit:		
Individual arrangements	5 921	6 111
Group arrangements:		
Liberty Corporate	3 438	(83)
Liberty Africa Insurance ⁽¹⁾	437	325
Asset management:		
STANLIB Multi-manager	74	(37)

⁽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 31 December 2014

Unaudited	2014 Rbn	2013 Rbn
Managed by group business units	605	586
STANLIB South Africa	510	507
STANLIB Other Africa ⁽²⁾	41	38
LibFin	45	36
Other internal managers	9	5
Externally managed	28	25
Total assets under management	633	611

⁽¹⁾ Includes funds under administration.

⁽²⁾ Liberty owns less than 100% of the various entities that make up STANLIB other Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.

Asset management net cash flows - STANLIB⁽¹⁾

for the year ended 31 December 2014

Unaudited	2014 Rm	2013 Rm
South Africa		
Non-money market	6 211	19 433
Retail segment	5 319	17 584
Institutional segment	892	1 849
Money market	(11 353)	2 229
Retail segment	(3 359)	(1 689)
Institutional segment	(7 994)	3 918
Net South Africa cash (outflows)/inflows	(5 142)	21 662
Other Africa		
Non-money market	206	(5 906)
Retail segment	517	1 539
Institutional segment	(311)	(7 445)
Money market	(2 385)	(31)
Net other Africa cash outflows⁽²⁾	(2 179)	(5 937)
Net cash (outflows)/inflows from asset management	(7 321)	15 725

⁽¹⁾ Cash flows exclude intergroup life funds.

⁽²⁾ Liberty owns less than 100% of the various entities that make up STANLIB other Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.

Short-term **insurance indicators**

for the year ended 31 December 2014

Audited	2014	2013
	Rm	Rm
Premiums	1 037	930
Liberty Health – medical risk	694	640
Liberty Africa Insurance – motor, property, medical and other	343	290
Claims	(612)	(559)
Liberty Health – medical risk	(471)	(438)
Liberty Africa Insurance – motor, property, medical and other	(141)	(121)
Net cash inflows from short-term insurance	425	371
Unaudited		
Claims loss ratio (%)		
Liberty Health	68	68
Liberty Africa Insurance	41	42
Combined loss ratio (%)		
Liberty Health	96	100
Liberty Africa Insurance	94	98

Capital **commitments**

as at 31 December 2014

Audited	2014	2013
	Rm	Rm
Equipment	379	563
Investment and owner-occupied property	4 427	3 544
Unconsolidated structured entities ⁽¹⁾	482	509
Total capital commitments	5 288	4 616
Under contracts	3 486	944
Authorised by the directors but not contracted	1 802	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 R160 million (2013: R218 million) from non-controlling interests in unincorporated property partnerships.

Corporate **actions**

for the year ended 31 December 2014

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

Completed transactions

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 influence over Cullinan and the investment is accounted for as an associate held at fair value (at 31 December 2014 valued at R406 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.

Transaction between owners

Liberty Holdings Limited entered into an agreement with the trustees of the NHA Trust with an effective date of 1 August 2014, 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. This resulted in an aggregate purchase consideration of R133 million. As Liberty Health is already a subsidiary of the group, the transaction has been accounted for as a transaction between owners.

Acquisition of Stanbic Investment Management Services Limited (SIMS Ghana)

To continue the group's strategy to extend its market share of the asset management business in Africa, Liberty effective 1 August 2014, purchased a 100% interest in SIMS Ghana from the Standard Bank group for R15 million.

Transaction in progress at 31 December 2014

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 R1,7 billion.

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

Retirement **benefit obligations**

as at 31 December 2014

Audited

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 31 December 2014, the Liberty post-retirement medical aid benefit liability was R423 million (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 year ended 31 December 2014

Audited

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 2014 financial period:

1. Summary of movement in investment in ordinary shares held by the group in the group's holding company is as follows:

	Number '000	Fair value Rm	Ownership %
Standard Bank Group Limited			
Balance at 1 January 2014	7 062	914	0,44
Purchases	8 765	1 158	
Sales	(3 583)	(498)	
Fair value adjustments		183	
Balance at 31 December 2014	12 244	1 757	0,77

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 R7 984 million (2013: R7 624 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 year to 31 December 2014 is R866 million (2013: 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 the date of the approval of these financial statements, neither party had given notice.

A binder agreement was 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 year to 31 December 2014 is R100 million (2013: R94 million).

In December 2013 Liberty Group Limited, a 100% held subsidiary of Liberty, issued 5000 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

As described in accounting policies section of this integrated report, the group has entered into certain agreements of sale and repurchase of financial instruments as part of the group's asset/liability matching process.

As at 31 December 2014 a total of R24 billion in assets (2013: R7,5 billion) have been traded with Standard Bank under a repurchase agreement with various repurchase dates to 22 January 2015. Open contracts totalled R26 million as at 31 December 2014 (2013: R1,1 billion). Finance costs recognised in respect of these agreements as at 31 December 2014 was R174 million (2013: R52 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.

Offsetting

as at 31 December 2014

Audited

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 total assets held for trading and hedging recognised of R7 777 million (2013: R6 387 million) and total derivative liabilities of R5 148 million (2013: R4 860 million), assets held for trading and hedging of R7 552 million (2013: R6 265 million) and derivative liabilities of R5 106 million (2013: R4 671 million) are subject to master netting arrangements, with a net asset exposure of R2 446 million (2013: R1 594 million).