LIBERTY

Liberty Holdings Limited

Financial results 2017

For the year ended 31 December

HIGHLIGHTS

NORMALISED HEADLINE EARNINGS

R2,7 billion

LIBERTY GROUP LIMITED CAR COVER

2,92 times

LONG-TERM INSURANCE INDEXED NEW BUSINESS

R8 billion

GROUP ASSETS UNDER MANAGEMENT

R720 billion

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FINANCIAL PERFORMANCE INDICATORS

for the year ended 31 December 2017

Rm (unless otherwise stated)	2017	2016	% change
Liberty Holdings Limited			
Earnings			
Basic earnings per share (cents)	1 152,6	811,7	42
Fully diluted basic earnings per share (cents)	1 120,7	788,9	42
Normalised headline earnings[(1)]	2 719	2 527	8
Normalised headline earnings per share (cents)[(1)]	982,1	904,5	9
Normalised return on IFRS equity (%)[(1)]	12,3	11,4	
Group equity value			
Normalised group equity value per share (R)[(1)]	140,31	145,86	(4)
Normalised return on group equity value (%)[(1)]	1,1	5,1	
Distributions per share (cents)			
Normal dividend	691	691	
Interim dividend	276	276	
Final dividend	415	415	
Total assets under management (Rbn)	720	676	7
Long-term insurance operations			
Indexed new business (excluding contractual increases)	8 018	7 892	2
Embedded value of new business	233	483	(52)
New business margin (%)	0,5	1,1	
Net customer cash inflows	1 634	1 119	46
Capital adequacy cover of Liberty Group Limited (times covered)	2,92	2,95	
Asset management			
Assets under management (Rbn)	609	586	4
Net cash inflows including money market[(2)]	4 251	5 764	(26)
Retail and institutional net cash inflows excluding money market[(2)]	3 659	4 488	(18)
Money market net cash inflows[(2)]	592	1 276	(54)

(1) *Normalised: headline earnings, 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 consolidation of the listed REIT Liberty Two Degrees (L2D) and the Black Economic Empowerment (BEE) transaction, as opposed to the required IFRS accounting treatment.

(2) *Excludes intergroup life funds.*

Preparation and supervision:
This announcement on Liberty Holdings Limited annual financial results for the year ended 31 December 2017 has been prepared by M Natsas CA(SA) and D Wichmann CA(SA) and supervised by Y Maharaj (Financial Director) CA(SA).

FINANCIAL REVIEW

for the year ended 31 December 2017

Normalised headline earnings increased by 8% supported by improving SA retail insurance earnings and higher returns from investment markets. The group's capital position remains strong. Decisive actions are being taken to improve profitability and place Liberty on a sound strategic footing.

The group remained resilient during the year, as evidenced by the stronger capital position of the group's main long-term insurance licence, Liberty Group Limited, with a capital adequacy ratio at 2,92 times the regulatory minimum compared to 2,82 at 30 June 2017. This remains at the upper end of our target range at 31 December 2017 despite the impact of downgrades of the South African sovereign credit rating during the year.

The group's SA covered insurance business continued to deliver positive operating variances and be managed to better than model supporting the core assumptions underlying the insurance book. The SA covered business embedded value was preserved, maintaining embedded value earnings of R2,8 billion compared to the prior year and generating a return of 8,2%. The value of new business (VoNB) and new business margin however ended the year below expectation. Actions are being taken to restore the new business margin. The economic environment favoured flows into guaranteed products, which manifested in a weaker mix of business from a margin perspective. The improvement in VoNB in the second half of 2017, despite lower volumes, shows signs that the focused initiatives commenced in the second quarter 2017 are starting to deliver the desired outcome.

Group equity value per share was lower at R140,31 (31 December 2016: R145,86). The lower group equity value per share was attributable to weaker earnings from the group's non-covered businesses particularly within the STANLIB businesses and the resultant capitalisation impact of reduced earnings.

Group net customer cash inflows, including the Gateway LISP, were positive at R6,5 billion despite the poor economic backdrop. Long-term insurance net customer cash inflows of R1,6 billion reflected an improvement on the prior year inflows of R1,1 billion, supported by lower policy withdrawals and maturities in Individual Arrangements.

Long-term insurance indexed new business sales grew marginally to R8 billion. Competitive retail market pricing and the tough economic environment continued to place significant pressure on retail sales volumes, partially offset by growth in Liberty Corporate recurring premiums during the year.

Total group assets under management increased to R720 billion (31 December 2016: R676 billion).

Normalised headline earnings for the year ended 31 December 2017 of R2 719 million were 8% up on 2016, supported by a higher contribution of R1 307 million (31 December 2016: R787 million) from the shareholder investment portfolio (SIP). Normalised operating earnings however were 19% down on the prior year. The improved earnings contribution from Individual Arrangements was offset by the lower underwriting result from Liberty Corporate. STANLIB SA's earnings continued to be impacted by margin pressure due to a less favourable sales mix and operational write-offs. STANLIB Rest of Africa earnings were impacted by operational losses. Normalised return on equity was 12,3% (31 December 2016: 11,4%).

Headline earnings for 2017 amounted to R3 252 million, up 47% compared to R2 207 million in 2016. Liberty's headline earnings include the positive earnings impact of R543 million arising from the accounting mismatch on the consolidation of the Liberty Two Degrees listed REIT.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2017

Earnings by business unit

Rm (Unaudited)	2017	2016	% change
Insurance			
Individual Arrangements	1 208	1 119	8
Group Arrangements	16	149	(89)
Liberty Corporate	81	191	(58)
Liberty Africa Insurance	45	41	10
Liberty Health	(54)	(45)	(20)
Nigeria[3] and project support costs	(56)	(38)	(47)
Balance sheet management	376	318	18
LibFin Markets – credit portfolio	330	300	10
LibFin Markets – asset/liability management portfolio	46	18	>100
Asset management[1]			
STANLIB South Africa	252	459	(45)
STANLIB Rest of Africa	(204)	(97)	(>100)
Central overheads and sundry income	(236)	(208)	(13)
Normalised operating earnings	1 412	1 740	(19)
LibFin Investments – SIP	1 307	787	66
Normalised headline earnings	2 719	2 527	8
BEE preference share adjustment	(10)	(16)	38
Reversal of accounting mismatch arising on consolidation of L2D[2]	543	(304)	>100
Headline earnings	3 252	2 207	47

[1] *Asset management customer facing unit includes the asset management capabilities under STANLIB South Africa and STANLIB Rest of Africa business units, which are managed separately, with each business having its own accountable executive.*

[2] *Refer Explanation of terms on page 21.*

[3] *Costs associated with the termination of a long-term licence acquisition in Nigeria and project management costs of the Group Arrangements CFU.*

Commentary on the earnings by business unit follows below. Additional information is contained in the summary consolidated segment information.

Individual Arrangements

Headline earnings from the group's South African retail operations of R1 208 million were 8% up on the prior year. Positive risk variances in the year were partly offset by modelling and assumption changes to better reflect the expectation of future cash flows given policy terms and conditions.

New business strain arising from the geared effects of increased costs relative to new business volumes with a weaker business mix continued to place pressure on earnings. This, together with the impact of the new tax risk fund and basis changes resulted in the value of new business reducing to R155 million in the current year (31 December 2016: R426 million), while the new business margin declined to 0,5% from 1,2% in the prior year. The improvement in the value of new business from R62 million for the six months to 30 June 2017 to R155 million for the year to 31 December 2017 indicates that initiatives implemented in 2017 to improve the value of new business are starting to have the desired effect.

Indexed new business of R6 570 million was 1% down on 2016. Competitive retail market pricing and the tough economic environment continued to place significant pressure on sales volumes. The economic environment favoured flows into guaranteed products, as evidenced by strong demand for the Guaranteed Investment Product and the Bold Living Annuity throughout the year.

Net customer cash inflows of R2,8 billion were 46% up on prior year inflows of R1,9 billion, driven by lower policy withdrawals and maturities. This also reflects a significant improvement over the R0,8 billion inflows reported at 30 June 2017 and confirms that the ongoing initiatives to improve retention are delivering the required results.

Despite the tough environment, the business continued to deliver positive operating variances and has been managed to "better than model" consistently for the last five years.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2017

Group Arrangements

Liberty Corporate

Earnings of R81 million were impacted by a considerably lower underwriting result due to a high level of risk claims experienced, particularly an increase in income protection plan (IPP) claims in the second half of 2017. Indexed new business was 39% higher than the prior year at R1 171 million, with recurring premium new business up 42% due to good risk and umbrella enhancement sales. Single premium new business was up 6%. This resulted in the value of new business increasing to R57 million. Net cash outflows amounted to R1,5 billion reflecting a small number of high asset value scheme terminations and higher risk and IPP claims linked to the challenging economic environment and associated job losses, partially offset by increased recurring premium inflows.

Liberty Africa and Liberty Health Insurance

Liberty Africa Insurance earnings of R45 million were 10% up on the prior year despite negative exchange rate movements. Indexed new business in the long-term insurance businesses of R277 million was 33% down on the prior year due to exchange rate movements and a large once off deal in 2016. The value of new business was lower at R21 million at a margin of 3,9%. The short-term insurance businesses have experienced considerable pricing pressure.

The recessionary environment in Nigeria significantly impacted Liberty Health's short-term profitability. Management remains focused on growing the operations to scale.

Asset management

STANLIB South Africa

STANLIB South Africa earnings were R252 million for the year (31 December 2016: R459 million). Earnings were impacted by margin pressure due to a less favourable sales mix, costs associated with the termination of the institutional administration outsourcing programme, the launch of new franchises and operational write-offs.

Total assets under management by STANLIB South Africa increased by R21 billion to R556 billion at 31 December 2017.

Net customer cash inflows (excluding intergroup) grew to R4,7 billion from inflows of R2,8 billion in the prior year. This result was mainly attributable to strong non-money market inflows. Intergroup cash outflows for the year amounted to R15,9 billion.

STANLIB Rest of Africa

STANLIB Rest of Africa incurred a loss of R204 million for the year (31 December 2016: loss of R97 million). The business continued to be affected mainly by operational losses identified during the remedial programme in East Africa. Efforts to strengthen the operational and control environments have progressed well and risks of further operational losses are significantly reduced. Operations in the other African territories tracked broadly to expectation.

Total assets under management by STANLIB Rest of Africa increased by R1,7 billion to R52,5 billion at 31 December 2017.

Liberty Two Degrees (L2D)

L2D's results for the year ended 31 December 2017 were released on 19 February 2018. The operational performance of the property portfolio remained strong notwithstanding a difficult consumer environment. Together with L2D management, we are assessing alternatives to deal with the limitations of the existing structure.

Bancassurance

The bancassurance agreement with Standard Bank, which is applicable across the group's asset management and insurance operations, continues to make a positive contribution to new business volumes and earnings. The total indexed new business premiums sold under the agreement increased by 7% to R3,3 billion for the year. Good progress is being made with the implementation of the 10 point bancassurance plan and we continue leveraging our relationship with Standard Bank to capture appropriate opportunities.

Balance sheet management

LibFin Markets – Asset liability management and credit portfolio

Earnings from the credit portfolio increased by 10% to R330 million as a result of growth in the credit portfolio notwithstanding the impact of the sovereign ratings downgrades.

The asset liability management profit amounted to R46 million due to favourable market positioning (31 December 2016: R18 million).

LibFin assets under management were higher at R62 billion (31 December 2016: R58 billion).

LibFin Investments – Shareholder Investment Portfolio (SIP)

The SIP includes the assets backing capital in the insurance operations as well as the group's investment market exposure to the 90:10 book of business. The current risk profile of the SIP is similar to a conservative balanced portfolio and is managed with a long-term through the cycle investment horizon.

Market returns experienced in 2017 were higher and the portfolio accordingly delivered a gross return of 8,5% (31 December 2016: 5,7%) which was marginally below the portfolio benchmark. The extent of the SIP exposure to investment markets remains appropriate in the context of the group's risk appetite. Earnings of R1 307 million were well above 2016 earnings of R787 million despite the significant rand appreciation in December 2017 which reduced the returns on offshore assets.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2017

Capital adequacy cover

The capital adequacy cover of Liberty Group Limited remained strong at 2,92 times the statutory requirement (31 December 2016: 2,95 times). The group remains well capitalised at the upper end of its target range in respect of the current capital regime and in respect of capital requirements under the impending Solvency Assessment and Management regime.

All other group subsidiary life licences were adequately capitalised.

Dividends

2017 final dividend

In line with the group's dividend policy, the board has approved and declared a gross final dividend of 415 cents per ordinary share. The final dividend will be paid out of income reserves and is payable on Monday, 9 April 2018 to all ordinary shareholders recorded in the books of Liberty Holdings Limited on the record date.

The dividend of 415 cents per ordinary share will be subject to a local dividend tax rate of 20% which will result in a net final dividend, to those shareholders who are not exempt from paying dividend tax, of 332 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 cum dividend on the JSE	Tuesday, 3 April 2018
First trading day ex dividend on the JSE	Wednesday, 4 April 2018
Record date	Friday, 6 April 2018
Payment date	Monday, 9 April 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 April 2018 and Friday, 6 April 2018, 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, 9 April 2018.

Prospects

Liberty's business is built on our deep relationships with our customers and advisers which is core to creating value for all stakeholders. We are taking decisive actions to improve profitability and place our business on a sound strategic footing. In 2018, management will focus on restoring the financial performance of the SA Retail insurance business, improving the investment performance of STANLIB, simplifying the group's overall operations and expanding our relationship with the Standard Bank Group.

We are confident that the group will emerge from this period of change with significantly greater potential to serve the needs of all stakeholders.

David Munro
Chief Executive

Jacko Maree
Chairman

1 March 2018

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Sponsor
Merrill Lynch
A subsidiary of Bank of America Corporation

LIBERTY
www.libertyholdings.co.za

Liberty Holdings Limited
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JSE code: LBH
ISIN code: ZAE000012714
Preference share code: LBHP
ISIN code: ZAE000004040
Telephone +27 11 408 3911

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

ACCOUNTING POLICIES

The 2017 consolidated annual financial statements of Liberty Holdings Limited have been prepared in accordance with and contains 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 consolidated annual financial statements have been prepared in compliance with IFRS and interpretations for year ends commencing on or after 1 January 2017.

The accounting policies are consistent with those applied in the prior year except for the mandatory adoption of minor amendments or early adoption of amendments to IFRS. These amendments have not resulted in any material impacts to the group's 2017 reported results or comparative periods.

Amendments to IFRS 2 *Share-based Payments* and IAS 40 *Investment Properties*, effective 1 January 2018, have been early adopted as at 1 January 2017. These amendments have not resulted in any impact to the group's 2017 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 consolidated statement of financial position at 31 December 2017, the consolidated statement of comprehensive income, summary consolidated changes in equity and summary consolidated cash flows for the year then ended and selected explanatory notes. These statements and related notes are marked as 'audited'. This announcement itself is not 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 prior year's consolidated annual financial statements except for the changes outlined in the Accounting policies above. 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 and a copy of the auditors' report is available on request or 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 consolidated annual 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 2017 audited consolidated Liberty Holdings Limited annual financial statements which are available for inspection at the company's registered office on request.

EXPLANATION OF TERMS

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.

Development costs

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

FCTR

Foreign Currency Translation Reserve.

"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.

Normalised: headline earnings, 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 and the consolidation of the listed REIT Liberty Two Degrees (L2D) as opposed to the required IFRS accounting treatment.

BEE transaction

IFRS reflects the BEE transaction as a share buy-back. Dividends received on the group's preference shares (which are recognised as an asset for this purpose) are included in income. Shares in issue relating to the transaction are reinstated.

EXPLANATION OF TERMS (CONTINUED)

Normalised: headline earnings, headline earnings per share, return on equity, group equity value per share and return on group equity value (CONTINUED)

Reversal of accounting mismatch arising on IFRS profit or loss consolidation of L2D

An accounting mismatch arises on consolidation of L2D in the group annual financial statements, resulting from the different measurement bases applied to L2D's assets and Liberty Group Limited's (100% subsidiary of Liberty Holdings Limited) policyholder liabilities. Specifically:

- on a consolidated look through basis the investment property assets of L2D are included in the group annual financial statements at fair value; whereas
- the corresponding linked obligations to Liberty Group Limited's policyholders are required under IFRS to continue to be measured in the group annual financial statements at the listed price of the L2D units.

The result of this is an accounting mismatch that represents any difference in the profit and loss movement in the price at which L2D's listed units trade relative to the underlying net asset value.

L2D adjustment in group equity value

In addition to the reversal of the accounting mismatch in IFRS profit or loss described above, the group equity value adjusts the exposures in the shareholder investment portfolios (SIP) to the listed unit price.

Summary of impact

Below is a summary of the L2D transaction impact on the ordinary shareholders interest:

Rm	Group equity value Total	IFRS net asset value	SIP equity value adjustment
Opening adjustment at 1 January 2017	(330)	(193)	(137)
IFRS profit or loss	543	543	
Group equity value earnings	394		394
Transaction between owners	(10)	(10)	
Closing adjustment at 31 December 2017	597	340	257

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

Rm (Audited)	2017	2016
Assets		
Intangible assets	231	390
Defined benefit pension fund employer surplus	171	215
Properties	34 768	33 828
Equipment	1 128	1 105
Interests in joint ventures	1 244	1 229
Interests in associates	15 197	12 995
Deferred taxation	336	358
Deferred acquisition costs	737	713
Long-term policyholder assets – insurance contracts	7 484	7 314
Reinsurance assets	1 774	1 674
Long-term insurance	1 481	1 352
Short-term insurance	293	322
Financial investments	338 534	316 441
Loans and receivables	1 222	1 242
Assets held for trading and for hedging	7 871	8 609
Repurchase agreements, scrip and collateral assets	11 900	15 483
Prepayments, insurance and other receivables	6 361	5 300
Cash and cash equivalents	15 169	14 994
Total assets	444 127	421 890
Liabilities		
Long-term policyholder liabilities	322 918	307 230
Insurance contracts	210 554	204 155
Investment contracts with discretionary participation features	11 845	11 462
Financial liabilities under investment contracts	100 519	91 613
Reinsurance liabilities	663	555
Third-party financial liabilities arising on consolidation of mutual funds	49 713	44 046
Provisions	76	191
Deferred taxation	3 386	2 586
Deferred revenue	291	268
Deemed disposal taxation liability	436	873
Short-term insurance liabilities	780	925
Financial liabilities	5 581	4 601
Liabilities held for trading and for hedging	6 311	6 798
Repurchase agreements liabilities and collateral deposits payable	9 097	11 748
Employee benefits	1 446	1 369
Insurance and other payables	11 995	11 213
Current taxation	1 043	481
Total liabilities	413 736	392 884
Equity		
Ordinary shareholders' equity	22 444	21 676
Share capital	26	26
Share premium	5 157	5 296
Retained surplus	18 166	16 990
Other reserves	(905)	(636)
Non-controlling interests	7 947	7 330
Total equity	30 391	29 006
Total equity and liabilities	444 127	421 890

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

Rm (Audited)	2017	2016
Insurance premiums	39 970	41 288
Reinsurance premiums	(1 950)	(1 922)
Net insurance premiums	38 020	39 366
Fee income and reinsurance commission	3 683	3 731
Investment income	21 652	20 885
Hotel operations sales	532	585
Investment gains/(losses)	18 835	(1 823)
Total revenue	82 722	62 744
Claims and policyholder benefits under insurance contracts	(38 819)	(39 664)
Insurance claims recovered from reinsurers	1 800	1 450
Change in long-term policyholder assets and liabilities	(6 829)	598
Liabilities under insurance contracts	(6 504)	1 164
Policyholder assets related to insurance contracts	170	(265)
Investment contracts with discretionary participation features	(521)	(404)
Applicable to reinsurers	26	103
Fair value adjustment to long-term policyholder liabilities under investment contracts	(9 116)	(3 891)
Fair value adjustment to financial liabilities		(27)
Fair value adjustment on third party mutual fund interests	(4 619)	619
Acquisition costs	(4 935)	(4 723)
General marketing and administration expenses	(11 345)	(10 733)
Finance costs	(1 344)	(1 415)
Profit share allocations under bancassurance and other agreements	(972)	(1 029)
Equity accounted earnings from joint venture	25	22
Profit before taxation	6 568	3 951
Taxation[1]	(2 864)	(1 325)
Total earnings	3 704	2 626
Other comprehensive income	(233)	(148)
Items that may be reclassified subsequently to profit or loss	(95)	(101)
Net change in fair value on cash flow hedges	75	218
Income and capital gains tax relating to net change in fair value on cash flow hedges	(21)	(56)
Foreign currency translation	(149)	(263)
Items that may not be reclassified subsequently to profit or loss	(138)	(47)
Owner-occupied properties – fair value adjustment	(67)	(1)
Income and capital gains tax relating to owner-occupied properties fair value adjustment	(14)	
Change in long-term policyholder insurance liabilities (application of shadow accounting)	(32)	1
Actuarial gains on post-retirement medical aid liability	45	30
Income tax relating to post-retirement medical aid liability	(13)	(8)
Net adjustments to defined benefit pension fund[2]	(41)	(96)
Income tax relating to defined benefit pension fund	(16)	27
Total comprehensive income	3 471	2 478
Total earnings attributable to:		
Shareholders	3 118	2 209
Non-controlling interests	586	417
	3 704	2 626
Total comprehensive income attributable to:		
Shareholders	2 932	2 128
Non-controlling interests	539	350
	3 471	2 478
Basic and fully diluted earnings per share	Cents	Cents
Basic earnings per share	1 152,6	811,7
Fully diluted basic earnings per share	1 120,7	788,9

(1) *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.*

(2) *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.*

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

Rm (Audited)	2017	2016
Balance of ordinary shareholders' equity at 1 January	21 676	21 739
Ordinary dividends	(1 942)	(2 022)
Total comprehensive income	2 932	2 128
Share buy-back[(1)]	(350)	(477)
Black economic empowerment transaction	32	195
Share-based payments	99	132
Transaction costs of issuing units in Liberty Two Degrees		(78)
Preference dividends	(2)	(2)
Transactions between owners	9	(40)
Transactions between owners – Liberty Two Degrees	(10)	101
Ordinary shareholders' equity	**22 444**	**21 676**
Balance of non-controlling interests at 1 January	7 330	4 254
Total comprehensive income	539	350
Acquisition of Liberty Two Degrees		3 000
Transactions between owners – Liberty Two Degrees	351	(101)
Acquisition of unincorporated property partnership	87	98
Acquisition of subsidiaries		33
Unincorporated property partnerships net distributions	(238)	(219)
Non-controlling interests' share of subsidiary distributions	(133)	(21)
Non-controlling interests' share of shares issued in subsidiary	2	3
Transaction costs of issuing units in Liberty Two Degrees		(38)
Transactions between owners	9	(29)
Non-controlling interests	**7 947**	**7 330**
Total equity	**30 391**	**29 006**

[(1)] *Share buy-backs are purchases from the market to meet employee share-based payment obligations.*

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

Rm (Audited)	2017	2016
Cash flows from operating activities	5 121	2 443
Cash utilised by operations	(7 082)	(9 157)
Interest and dividends received	18 841	18 242
Distributions paid	(3 075)	(2 717)
Taxation paid	(1 946)	(2 260)
Other operating cash flows	(1 617)	(1 665)
Cash flows from investing activities	(3 581)	(6 607)
Net purchase of investments	(2 906)	(4 937)
Net purchase of other assets	(375)	(288)
Repayment of collateral deposits payable	(258)	(1 236)
Acquisition of subsidiaries		(146)
Acquisition of equity accounted joint ventures	(42)	
Cash flows from financing activities	(1 280)	(18)
Net advance of financial liabilities	980	687
Net repayment of repurchase agreements liabilities	(2 393)	(3 175)
Net cash flows from equity transactions with non-controlling interests	483	3 063
Transaction costs of issuing units in Liberty Two Degrees		(116)
Share buy-back	(350)	(477)
Net increase/(decrease) in cash and cash equivalents	260	(4 182)
Cash and cash equivalents at the beginning of the year	14 994	19 305
Cash and cash equivalents acquired through business acquisitions		61
Foreign currency translation	(85)	(190)
Cash and cash equivalents at the end of the year	15 169	14 994

HEADLINE EARNINGS AND EARNINGS PER SHARE

for the year ended 31 December 2017

Rm (unless otherwise stated) (Audited)	2017	2016
Reconciliation of total earnings to headline earnings attributable to shareholders		
Total earnings attributable to shareholders	3 118	2 209
Preference share dividend	(2)	(2)
Basic earnings attributable to ordinary shareholders	3 116	2 207
Impairment of intangible assets	164	
Tax on headline earnings adjustable item	(28)	
Headline earnings attributable to ordinary shareholders	3 252	2 207
Net income earned on BEE preference shares	10	16
Reversal of the accounting mismatch arising on consolidation of L2D[1]	(543)	304
Normalised headline earnings attributable to ordinary shareholders	2 719	2 527
Weighted average number of shares in issue ('000)	270 348	271 883
Normalised weighted average number of shares in issue ('000)	276 847	279 373
Fully diluted weighted average number of shares in issue ('000)	278 030	279 760
Earnings per share	**Cents**	Cents
Total earnings attributable to ordinary shareholders		
Basic	1 152,6	811,7
Headline	1 202,9	811,7
Normalised headline	982,1	904,5
Fully diluted earnings attributable to ordinary shareholders		
Basic	1 120,7	788,9
Headline	1 169,7	788,9

[1] *Refer Explanation of terms on page 21.*

SUMMARY CONSOLIDATED SEGMENT INFORMATION

for the year ended 31 December 2017

The audited segment results for the year ended 31 December 2017 are as follows:

		Group Arrangements		
Rm (Audited)	**Individual Arrangements**	**Liberty Corporate**	**Liberty Africa Insurance**	**Liberty Health**
Total revenue	68 161	15 676	2 420	929
Profit before taxation	2 957	223	121	(134)
Taxation(3)	(1 819)	(62)	(74)	28
Total earnings	1 138	161	47	(106)
Reconciliation of total earnings to headline earnings attributable to shareholders				
Total earnings	1 138	161	47	(106)
Attributable to non-controlling interests	(1)		(58)	
Preference share dividend				
Impairment of intangible assets	13	71		52
Headline earnings	1 150	232	(11)	(54)
Net income earned on BEE preference shares				
Reversal of the accounting mismatch arising on consolidation of L2D				
Normalised headline earnings	1 150	232	(11)	(54)
Reconciliation of business unit earnings to segment result				
Individual Arrangements	1 208			
Group Arrangements		81	(11)	(54)
Liberty Corporate		81		
Liberty Africa Insurance			45	
Liberty Health				(54)
Nigeria(2) and project support costs			(56)	
LibFin (Markets and Investments)	(138)	151		
LibFin Markets – credit portfolio	192	138		
LibFin Markets – asset/liability matching	35	1		
LibFin Investments – SIP	(365)	12		
Asset management				
STANLIB South Africa				
STANLIB Rest of Africa				
Central overheads and sundry income	80			
Normalised headline earnings	1 150	232	(11)	(54)

(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) *Costs associated with the termination of a long-term licence acquisition in Nigeria and project management costs of the Group Arrangements CFU.*

(3) *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.*

The customer facing units are supported by shared service functions (Group Enablement) and LibFin (incorporating LibFin Markets and LibFin Investments), which are strategic competency units. The impact of LibFin Markets is disclosed in the relevant customer grouping.

SUMMARY CONSOLIDATED SEGMENT INFORMATION

(CONTINUED)

for the year ended 31 December 2017

Asset management	Other	Total	Reporting adjustments[1]	IFRS reported
3 085	4 625	94 896	(12 174)	82 722
263	2 793	6 223	345	6 568
(212)	(725)	(2 864)		(2 864)
51	2 068	3 359	345	3 704
51	2 068	3 359	345	3 704
(3)	(179)	(241)	(345)	(586)
	(2)	(2)		(2)
		136		136
48	1 887	3 252		3 252
	10	10		10
	(543)	(543)		(543)
48	1 354	2 719		2 719
		1 208		
		16		
		81		
		45		
		(54)		
		(56)		
	1 670	1 683		
		330		
	10	46		
	1 660	1 307		
252		252		
(204)		(204)		
	(316)	(236)		
48	1 354	2 719		

SUMMARY CONSOLIDATED SEGMENT INFORMATION
(CONTINUED)

for the year ended 31 December 2017

The audited segment results for the year ended 31 December 2016 are as follows:

		Group Arrangements		
Restated[4] Rm (Audited)	**Individual Arrange-ments**	Liberty Corporate	Liberty Africa Insurance	Liberty Health
Total revenue	56 583	13 963	2 811	1 276
Profit before taxation	2 018	376	144	(74)
Taxation[3]	(950)	(112)	(79)	29
Total earnings	1 068	264	65	(45)
Reconciliation of total earnings to headline earnings attributable to shareholders				
Total earnings	1 068	264	65	(45)
Attributable to non-controlling interests			(62)	
Preference share dividend				
Headline earnings	1 068	264	3	(45)
Net income earned on BEE preference shares				
Reversal of the accounting mismatch arising on consolidation of L2D				
Normalised headline earnings	1 068	264	3	(45)
Reconciliation of business unit earnings to segment result				
Individual Arrangements	1 119			
Group Arrangements		191	3	(45)
Liberty Corporate		191		
Liberty Africa Insurance			41	
Liberty Health				(45)
Nigeria[2] and project support costs			(38)	
LibFin (Markets and Investments)	6	103		
LibFin Markets – credit portfolio	197	103		
LibFin Markets – asset/liability matching	15	3		
LibFin Investments – SIP	(206)	(3)		
Asset management				
STANLIB South Africa				
STANLIB Rest of Africa				
Central overheads and sundry income	(57)	(30)		
Normalised headline earnings	1 068	264	3	(45)

(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) *Costs associated with the possible acquisition of a long-term licence in Nigeria and project management costs of the Group Arrangements CFU.*

(3) *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.*

(4) *The segment results for the year ended 31 December 2016 have been restated to provide more information on the three distinct segments within Group Arrangements, in order to better align to the information reported to the chief operating decision maker.*

SUMMARY CONSOLIDATED SEGMENT INFORMATION
(CONTINUED)

for the year ended 31 December 2017

Asset management	Other	Total	Reporting adjustments[1]	IFRS reported
3 384	1 097	79 114	(16 370)	62 744
517	653	3 634	317	3 951
(148)	(65)	(1 325)		(1 325)
369	588	2 309	317	2 626
369	588	2 309	317	2 626
(7)	(31)	(100)	(317)	(417)
	(2)	(2)		(2)
362	555	2 207		2 207
	16	16		16
	304	304		304
362	875	2 527		2 527
		1 119		
		149		
		191		
		41		
		(45)		
		(38)		
	996	1 105		
		300		
		18		
	996	787		
459		459		
(97)		(97)		
	(121)	(208)		
362	875	2 527		

GROUP EQUITY VALUE REPORT

for the year ended 31 December 2017

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 that 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 (SA) 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 Advisory 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 South Africa	Valued using a 10 times (2016: 10 times) multiple of estimated sustainable earnings.
STANLIB Rest of Africa	Valued using a 10 times (2016: 10 times) multiple of estimated sustainable earnings.
Liberty Health	As Liberty Health has yet to establish a history to support a sustainable earnings calculation, an 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 2017 and 31 December 2016 the combined valuations approximated the group's IFRS net asset value. Therefore the IFRS net asset value was used.
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 *Liberty Two Degrees normalisation adjustment:*

This represents the difference between Liberty's share of the net asset value of L2D as at the reporting date and the listed price of L2D units multiplied by the number of units in issue to Liberty at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the shareholder investment portfolio.

2.4 *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 expenses incurred in Liberty Holdings Limited capitalised at a multiple of 9 times (2016: 9 times).

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2017

3 Normalised group equity value

3.1 *Analysis of normalised group equity value*

31 December 2017 Rm (Audited)	**SA covered business**	**Other businesses**	**Total**
Liberty Group Limited	18 412		18 412
STANLIB South Africa[2]		795	795
STANLIB Rest of Africa[2]		100	100
Liberty Health (including Total Health Trust)		299	299
Liberty Africa Insurance		813	813
Liberty Holdings		1 428	1 428
Liberty Two Degrees adjustment to net asset value		597	597
Shareholders' equity reported under IFRS	18 412	4 032	22 444
Difference between statutory and published valuation methods	(7 253)		(7 253)
Negative rand reserves	(6 806)		(6 806)
Deferred acquisition costs	(730)		(730)
Deferred revenue liability	283		283
Subordinated notes (including accrued interest)	5 581		5 581
CAR of subsidiaries	(10)		(10)
Reverse value of in-force acquired	(12)		(12)
Inadmissible assets	(1 018)		(1 018)
Statutory excess assets over liabilities[3]	15 700	4 032	19 732
Reverse CAR of subsidiaries	10		10
Reverse subordinated notes (including accrued interest)	(5 581)		(5 581)
Reverse inadmissible assets	1 018		1 018
Frank Financial Services allowance for future expenses	(100)		(100)
Impact of discounting on deferred tax asset		(100)	(100)
BEE preference funding	123		123
Liberty Two Degrees normalisation adjustment[1]		(597)	(597)
Allowance for employee share rights	(36)	(36)	(72)
Normalised net worth	11 134	3 299	14 433
Value of in-force – Individual Arrangements	22 088		22 088
Value of in-force – Group Arrangements: Liberty Corporate	3 049		3 049
Cost of required capital	(1 690)		(1 690)
Fair value adjustment – STANLIB South Africa[2]		3 655	3 655
Fair value adjustment – STANLIB Rest of Africa[2]		50	50
Allowance for future shareholder expenses		(2 217)	(2 217)
Normalised equity value	34 581	4 787	39 368

(1) *This represents the difference between Liberty's share of the net asset value of L2D as at the reporting date and the listed price of L2D units multiplied by the number of units in issue to Liberty at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the shareholder investment portfolio.*

(2) ***STANLIB valuation:***

	Rm
STANLIB South Africa	***4 450***
STANLIB Rest of Africa	***150***
Total	***4 600***

(3) *The adjustments between the IFRS and statutory net asset values for the Liberty Africa subsidiaries have not been included. This is because the group equity value for these entities is set to their IFRS net asset value and so these adjustments do not affect group equity value.*

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2017

3 Normalised group equity value (continued)

3.1 *Analysis of normalised group equity value* (continued)

31 December 2016 Rm (Audited)	SA covered business	Other businesses	Total
Liberty Group Limited	18 505		18 505
STANLIB South Africa[(2)]		777	777
STANLIB Rest of Africa[(2)]		104	104
Liberty Health (including Total Health Trust)		404	404
Liberty Africa Insurance		808	808
Liberty Holdings		1 408	1 408
Liberty Two Degrees adjustment to net asset value		(330)	(330)
Shareholders' equity reported under IFRS	18 505	3 171	21 676
Difference between statutory and published valuation methods	(6 786)	(58)	(6 844)
Negative rand reserves	(6 344)		(6 344)
Deferred acquisition costs	(698)		(698)
Deferred revenue liability	256		256
Other		(58)	(58)
Subordinated notes (including accrued interest)	4 601		4 601
CAR of subsidiaries	(10)		(10)
Reverse value of in-force acquired	(17)		(17)
Inadmissible assets	(807)	(85)	(892)
Statutory excess assets over liabilities	15 486	3 028	18 514
Reverse difference between statutory and published valuation methods		58	58
Reverse CAR of subsidiaries	10		10
Reverse subordinated notes (including accrued interest)	(4 601)		(4 601)
Reverse inadmissible assets	807	85	892
Frank Financial Services allowance for future expenses	(100)		(100)
Impact of discounting on deferred tax asset		(100)	(100)
BEE preference funding	148		148
Liberty Two Degrees normalisation adjustment[(1)]		330	330
Allowance for employee share rights	(33)	(27)	(60)
Normalised net worth	11 717	3 374	15 091
Value of in-force – Individual Arrangements	21 635		21 635
Value of in-force – Group Arrangements: Liberty Corporate	2 759		2 759
Cost of required capital	(1 641)		(1 641)
Fair value adjustment – STANLIB South Africa[(2)]		5 013	5 013
Fair value adjustment – STANLIB Rest of Africa[(2)]		256	256
Allowance for future shareholder expenses		(1 892)	(1 892)
Normalised equity value	34 470	6 751	41 221

(1) *This represents the difference between Liberty's share of the net asset value of L2D as at the reporting date and the listed price of L2D units multiplied by the number of units in issue to Liberty at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the shareholder investment portfolio.*

(2)

STANLIB valuation:	*Rm*
STANLIB South Africa	*5 790*
STANLIB Rest of Africa	*360*
Total	*6 150*

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2017

3 Normalised group equity value (continued)

3.2 *Normalised group equity value earnings and value per share*

Rm (Audited)	2017 SA covered business	2017 Other businesses	2017 Total	2016 SA covered business	2016 Other businesses	2016 Total
Normalised equity value at the end of the year	34 581	4 787	39 368	34 470	6 751	41 221
Equity value at the end of the year	34 458	5 384	39 842	34 322	6 421	40 743
Liberty Two Degrees adjustment[(1)]		(597)	(597)		330	330
BEE preference shares	123		123	148		148
Net share buy-backs		350	350		477	477
Funding of restricted share plan	92	(92)		92	(92)	
Intragroup dividends	2 600	(2 600)		3 500	(3 500)	
Dividends paid		1 944	1 944		2 024	2 024
Normalised equity value at the beginning of the year	(34 470)	(6 751)	(41 221)	(35 268)	(6 367)	(41 635)
Equity value at the beginning of the year	(34 322)	(6 421)	(40 743)	(34 946)	(6 367)	(41 313)
Liberty Two Degrees adjustment[(1)]		(330)	(330)			
BEE preference shares	(148)		(148)	(322)		(322)
Normalised equity value earnings	2 803	(2 362)	441	2 794	(707)	2 087
Normalised return on group equity value (%)	8,2	(36,4)	1,1	7,9	(11,8)	5,1
Normalised number of shares			280 573			282 615
Number of shares in issue ('000)			270 120			272 247
Shares held for the employee restricted share scheme ('000)			4 014			3 794
Adjustment for BEE shares ('000)			6 439			6 574
Normalised group equity value per share (R)			140,31			145,86

[(1)] *This represents the difference between Liberty's share of the net asset value of L2D as at the reporting date and the listed price of L2D units multiplied by the number of units in issue to Liberty at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the shareholder investment portfolio.*

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2017

3 Normalised group equity value (continued)

3.3 *Sources of normalised group equity value earnings*

Rm (Audited)	2017 SA covered business	2017 Other businesses	2017 Total	2016 SA covered business	2016 Other businesses	2016 Total
Value of new business written in the year	212	21	233	454	29	483
Expected return on value of in-force business	2 926		2 926	2 997		2 997
Variances/changes in operating assumptions	109		109	43	240	283
Operating experience variances	330		330	477		477
Property portfolio liquidity fee/STANLIB REIT Fund Managers[1]				(167)	240	73
Operating assumption changes	30		30	(295)		(295)
Changes in modelling methodology	(251)		(251)	28		28
Development costs	(55)	(166)	(221)	(45)	(62)	(107)
Liberty Holdings shareholder expenses[3]		(584)	(584)		(228)	(228)
Headline earnings of other businesses/ intragroup transfer	46	100	146		185	185
Operational equity value profits	3 238	(629)	2 609	3 449	164	3 613
Economic adjustments	(432)	(139)	(571)	(683)	(67)	(750)
Return on net worth[2]	(14)	(139)	(153)	153	(67)	86
Investment variances[2]	(594)		(594)	(963)		(963)
Change in economic assumptions	176		176	127		127
Change in fair value adjustments on value of other businesses		(1 585)	(1 585)		(825)	(825)
Change in allowance for share rights	(3)	(9)	(12)	28	21	49
Group equity value earnings	2 803	(2 362)	441	2 794	(707)	2 087

(1) *Following the listing of Liberty Two Degrees in December 2016, STANLIB REIT Fund Managers (RF) Proprietary Limited (the Manager), a 100% held subsidiary of Liberty Holdings Limited (LHL), was appointed as the Manager of L2D. The property portfolio liquidity fee which was previously earned in Liberty Group Limited will be used to fund the asset management fee paid to STANLIB REIT Fund Managers. STANLIB REIT Fund Managers has been valued using a 10 times multiple of the estimated sustainable earnings.*

(2) *The investment return on net worth includes an amount of negative R7 million (2016: negative R16 million) in respect of the change in the fair value of cash-flow hedges supporting LGL subordinated notes. Similarly, the investment variances include an amount of R61 million (2016: R178 million) in respect of the change in the fair value of cash-flow hedges supporting LibFin Credit.*

(3) *This includes the actual shareholder expenses incurred by Liberty Holdings of R259 million (2016: R122 million) plus the change in the allowance for future shareholder expenses over the period.*

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2017

3 Normalised group equity value (continued)

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

Rm (unless otherwise stated) (Audited)	2017	2016
South African covered business:		
Individual Arrangements	1 445	1 652
Traditional Life	1 159	1 306
Direct Channel	67	96
Credit Life	83	86
LibFin Credit uplift to Individual Arrangements	136	164
Group Arrangements: Liberty Corporate	162	131
Traditional Business	137	113
LibFin Credit uplift to Group Arrangements: Liberty Corporate	25	18
Gross value of new business	1 607	1 783
Overhead acquisition (including underwriting) costs impact on value of new business	(1 305)	(1 243)
Cost of required capital	(90)	(86)
Net value of South African covered new business	212	454
Present value of future expected premiums	42 782	42 370
Margin (%)	0,5	1,1
Group Arrangements: Liberty Africa Insurance		
Net value of new business	21	29
Present value of future expected premiums	528	519
Margin (%)	3,9	5,6
Total group net value of new business	233	483
Total group margin (%)	0,5	1,1

LONG-TERM INSURANCE NEW BUSINESS

for the year ended 31 December 2017

Rm (Unaudited)	2017	2016
Sources of insurance operations total new business by product type		
Retail	27 132	27 435
Single	22 660	22 916
Recurring	4 472	4 519
Institutional	2 034	2 296
Single	838	1 350
Recurring	1 196	946
Total new business	29 166	29 731
Single	23 498	24 266
Recurring	5 668	5 465
Insurance indexed new business	8 018	7 892
Sources of insurance indexed new business:		
Individual Arrangements	6 570	6 639
Group Arrangements:	1 448	1 253
Liberty Corporate	1 171	842
Liberty Africa Insurance[1]	277	411

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

The difference between the single premiums reported under total long-term insurance premiums and single premiums reported under long-term insurance new business by distribution channel arises mainly from different treatment for extensions of matured policies, reinvestment of fund withdrawals, conversions of standalone funds to umbrella funds and fund member movements within Liberty administered funds.

LONG-TERM INSURANCE NET CASH FLOWS

for the year ended 31 December 2017

Rm (Audited)	2017	2016
Net premiums by product type		
Retail	43 467	43 150
Single	22 191	22 522
Recurring	21 276	20 628
Institutional	10 673	11 889
Single	1 416	3 170
Recurring	9 257	8 719
Net premium income from insurance contracts and inflows from investment contracts	54 140	55 039
Single	23 607	25 692
Recurring	30 533	29 347
Net claims and policyholders benefits by product type		
Retail	(40 436)	(40 924)
Death and disability claims	(6 567)	(6 570)
Policy surrender and maturity claims	(27 984)	(28 870)
Annuity payments	(5 885)	(5 484)
Institutional	(12 070)	(12 996)
Death and disability claims	(2 118)	(1 912)
Scheme terminations and member withdrawals	(9 139)	(10 280)
Annuity payments	(813)	(804)
Net claims and policyholders benefits	(52 506)	(53 920)
Long-term insurance net customer cash flows[2]	1 634	1 119
Rm (Unaudited)		
Sources of insurance operations net cash flows:		
Individual Arrangements	2 846	1 948
Group Arrangements:	(1 212)	(268)
Liberty Corporate	(1 536)	(751)
Liberty Africa Insurance[1]	324	483
Asset Management:		
STANLIB Multi-manager[3]		(561)

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

[2] *This excludes net cash inflows attributed to the off balance sheet GateWay LISP of R350 million (2016: R557 million).*

[3] *The arrangement whereby funds were placed with external asset managers via STANLIB Multi-manager was terminated in 2016 and accordingly there are no flows in 2017 and going forward.*

ASSETS UNDER MANAGEMENT[(1)]

as at 31 December 2017

Rbn (Unaudited)	**2017**	2016
Managed by group business units	684	653
STANLIB South Africa	556	535
STANLIB Rest of Africa[(2)]	53	51
LibFin Markets	62	58
Other internal managers	13	9
Externally managed	36	23
Total assets under management[(3)]	720	676

(1) *Includes funds under administration.*
(2) *Liberty owns less than 100% of certain of the entities that make up STANLIB Rest of Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*
(3) *Included in total assets under management are the following LISP December 2017 amounts:*

Unit trusts listed (Rbn)	*STANLIB managed*	*Other managed*	*Total*
STANLIB	***42***	***80***	***122***
Gateway	***3***	***5***	***8***

ASSET MANAGEMENT NET CASH FLOWS[(1)]

for the year ended 31 December 2017

Rm (Unaudited)	**2017**	2016
STANLIB South Africa		
Non-money market	4 815	764
Retail	8 249	(2 327)
Institutional	(3 434)	3 091
Money market	(84)	2 037
Retail	(1 400)	1 007
Institutional	1 316	1 030
Net South Africa cash inflows	4 731	2 801
STANLIB Rest of Africa		
Non-money market	(1 156)	3 724
Retail	738	(422)
Institutional	(1 894)	4 146
Money market	676	(761)
Net Rest of Africa cash (outflows)/inflows	(480)	2 963
Net cash inflows from asset management	4 251	5 764

(1) *Cash flows exclude intergroup segregated life fund mandates.*

SHORT-TERM INSURANCE INDICATORS

for the year ended 31 December 2017

Rm (Audited)	2017	2016
Net premiums	1 297	1 484
Liberty Health – medical risk	777	919
Liberty Africa Insurance – motor, property, medical and other	520	565
Net claims	(886)	(994)
Liberty Health – medical risk	(637)	(743)
Liberty Africa Insurance – motor, property, medical and other	(249)	(251)
Net cash inflows from short-term insurance	411	490
Unaudited		
Claims loss ratio (%)		
Liberty Health	82	81
Liberty Africa Insurance	48	44
Combined loss ratio (%)		
Liberty Health	102	104
Liberty Africa Insurance	99	94

CAPITAL COMMITMENTS

as at 31 December 2017

Rm (Audited)	2017	2016
Equipment	741	823
Investment and owner-occupied properties	1 432	1 485
Committed capital(1)	1 071	636
Total capital commitments	3 244	2 944
Under contracts	430	657
Authorised by the directors but not contracted	2 814	2 287

(1) *Liberty has committed capital to certain infrastructure and development funds. The committed funds are only drawn down when required.*

The above 2017 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds and R452 million (2016: R360 million) from non controlling interests in respect of investment properties.

Throughout the group there are various short term leases (less than one year) for office and computer equipment. The obligations outstanding at 31 December are not material.

RETIREMENT BENEFIT OBLIGATIONS

as at 31 December 2017

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 2017, the Liberty post-retirement medical aid benefit liability was R495 million (2016: R493 million).

Defined benefit retirement fund

The group operates a defined benefit pension scheme on behalf of employees. The fund is closed to new membership and is well funded.

RELATED PARTIES

for the year ended 31 December 2017

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 or have been contracted in the 31 December 2017 financial year:

1. *Summary of related party transactions with Standard Bank*

1.1 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 2017	9 572	1 454	0,60
Purchases	12 496	2 117	
Sales	(5 888)	(1 020)	
Fair value adjustments		615	
Balance at 31 December 2017	**16 180**	**3 166**	**1,02**

1.2 Bancassurance

The bancassurance business agreements with the Standard Bank group caters 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 2017 amounted to R9 129 million (2016: R7 973 million). In terms of the agreements, Liberty's group subsidiaries pay 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 2017 is R948 million (2016: R1 005 million).

The bancassurance business agreements are evergreen agreements with a 24-month notice period for termination – 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 business 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 2017 is R206 million (2016: R150 million).

1.3 Purchases and sales of financial instruments

As per Liberty's 2017 group annual financial statements, in the normal course of conducting business, Liberty deposits cash with Standard Bank, purchases and sells financial instruments issued by Standard Bank and enters into sale and repurchase agreements and 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.

There are no other significant changes to related party transactions as reported in Liberty's 2017 annual financial statements.

OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

as at 31 December 2017

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*. The table below sets out the nature of agreements and the types of rights relating to items which do not qualify for offset but that are subject to a master netting arrangement (MNA) or similar agreement.

	NATURE OF AGREEMENT	RELATED RIGHTS
Derivative assets and liabilities	International swaps and derivatives associations	The agreement allows for offset in the event of default
Repurchase agreements	Global master repurchase agreements	
Collateral deposits payable	Global master securities lending arrangements	

Rm (Audited)	**Total**	**Not subject to MNA or similar agreements**	**Subject to MNA or similar agreements**	**Financial collateral[(1)]**	**Net**
2017					
Assets					
Assets held for trading and for hedging	7 871	(1 356)	6 515	(6 016)	499
Total assets	7 871	(1 356)	6 515	(6 016)	499
Liabilities					
Liabilities held for trading and for hedging	6 311	(56)	6 255	(6 016)	239
Repurchase agreements liabilities	4 671		4 671	(4 671)	
Collateral deposits payable	4 426		4 426	(4 426)	
Total liabilities	15 408	(56)	15 352	(15 113)	239
2016					
Assets					
Assets held for trading and for hedging	8 609	(595)	8 014	(6 532)	1 482
Total assets	8 609	(595)	8 014	(6 532)	1 482
Liabilities					
Liabilities held for trading and for hedging	6 798	(49)	6 749	(6 532)	217
Repurchase agreements liabilities	7 064		7 064	(7 064)	
Collateral deposits payable	4 684		4 684	(4 684)	
Total liabilities	18 546	(49)	18 497	(18 280)	217

(1) *Financial collateral relates to these instruments that are subject to MNA or similar agreements.*

NOTES