Sanlam Life Insurance Limited
Annual Financial Statements
2015

Insurance | Financial Planning | Retirement | Investments | Wealth

SANLAM LIFE INSURANCE LIMITED

REGISTRATION NO. 1998/021121/06

Company incorporated in South Africa

Directors

Independent Non-Executive

DK Smith (Chairman)
MMM Bakane-Tuoane
CB Booth (appointed 01/01/2015) [1]
AD Botha
PR Bradshaw [1]
P de V Rademeyer
A Duggal [3] (retired 03/06/2015)
MV Moosa
MP Mthethwa (resigned 13/02/2015)
SA Nkosi
KT Nondumo (appointed 04/12/2015)
CG Swanepoel
ZB Swanepoel (retired 04/12/2015)
PL Zim

Non-Executive

PT Motsepe
J van Zyl (appointed 18/01/2016)
RV Simelane

Executive

IM Kirk [2] (appointed 01/07/2015)
JP Möller [2]
TI Mvusi [2]
Y Ramiah [2]
J van Zyl [2] (retired 30/06/2015)

[1] British
[2] Full time employees
[3] American national and resident of India

Company Secretary

S Bray

Registered office

2 Strand Road
Bellville
7530

Postal address

PO Box 1
Sanlamhof
7532

Auditors

Ernst & Young Inc.
P O Box 504
Sanlamhof
7532

Pages 38 to 137 of the financial statements have been audited refer to the Independent Auditors' report on page 10. The preparation of the consolidated and separate financial statements was supervised by the Financial Director, JP Möller CA(SA).

SANLAM LIFE INSURANCE LIMITED

Annual Financial Statements

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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Sanlam Life Insurance Limited takes responsibility for the integrity, objectivity and reliability of the group and company annual financial statements of Sanlam Life Insurance Limited in accordance with International Financial Reporting Standards. Adequate accounting records have been maintained. The Board endorses the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the annual financial statements has been delegated to management.

The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the fair presentation of the financial statements based on their audit of Sanlam Life Insurance Limited and the Group. The Audit, Actuarial and Finance committee has satisfied itself that the external auditors were independent of the company during the period under review.

The Audit, Actuarial and Finance committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on the Sanlam Life Insurance Limited Group annual financial statements. The Board is satisfied that the annual financial statements fairly present the financial position, changes in equity, the results of operations and cash flows from the Group in accordance with International Financial Reporting Standards and supported by reasonable and prudent judgements consistently applied.

A full description of how the Audit, Actuarial and Finance Committee carried out its functions is included in the directors' report.

The Board is of the opinion that Sanlam Life Insurance Limited is financially sound and operates as a going concern. The financial statements have accordingly been prepared on this basis.

The financial statements were approved by the Board and signed on its behalf by:

IM Kirk
Director
9 March 2016

JP Möller
Director

CERTIFICATE BY COMPANY SECRETARY

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, that for the year ended 31 December 2015, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

S Bray
Company Secretary
9 March 2016

REPORT OF THE STATUTORY ACTUARY OF SANLAM LIFE INSURANCE LIMITED

Statutory valuation

The following major life insurance companies have been consolidated in the Sanlam Life Insurance Limited group annual financial statements set out on pages 12 to 137:

- Sanlam Life Insurance Limited;
- Sanlam Developing Markets Limited;
- Sanlam Life Namibia Limited;
- Botswana Life Insurance Limited; and
- MCIS Insurance Berhad.

In respect of each of the above companies I have obtained confirmation from the appointed Statutory Actuary that:

- The valuation of the company as at 31 December 2015, has been performed in all material respects on the bases as set out on pages 32 to 37, as applicable. The valuation has been prepared and the results are presented in accordance with the applicable actuarial and statutory guidelines;
- The assets of the company exceeded its liabilities plus the capital adequacy requirements as at 31 December 2015;
- The company was financially sound on the statutory basis as at the valuation date, and in the opinion of the Statutory Actuary is likely to remain financially sound for the foreseeable future. However, Sanlam Developing Markets Limited, although it had sufficient assets to cover its liabilities and CAR on the statutory basis at 31 December 2015, did not meet its statutory asset spreading requirements as required by Regulations to the Long-term Insurance Act. This is due to a large interest in a Trust which was previously treated as an asset-holding intermediary for statutory asset spreading purposes. Changes to the Long-term Insurance Act, arising from the Financial Services Laws General Amendment Act, impacted the interpretation of an asset-holding intermediary which resulted in the exclusion of a Trust from this definition. The result is that the Trust interest exceeds the maximum stipulated in the Regulations to the Long-term Insurance Act. Application for approval to exceed the regulated requirements has been submitted to the FSB. Fundamentally, I do not consider the interest in the Trust to constitute a significant concentration risk on a look-through basis, and expect Sanlam Development Market's asset spreading to be resolved by 31 March 2016 subject to the FSB's approval; and
- The management actions assumed for the calculation of the capital adequacy requirements have been approved by the Board of Directors of the company and the Statutory Actuary expects that these actions would be taken if the corresponding risks were to materialise.

B Laggar
Statutory Actuary
9 March 2016

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

NATURE OF BUSINESS

The core activities of Sanlam Life Insurance Limited (Sanlam Life) include long-term insurance, investment management and other related financial services activities. Sanlam Life is a public company incorporated in terms of the Companies Act No 71 of 2008 in South Africa.

CORPORATE GOVERNANCE

Application of and approach to King III

The Sanlam Life Group's Risk and Compliance committee is satisfied that the Sanlam Life Group will continue to comply with the King III principles during 2016 and has taken steps to ensure adherence with the obligations placed on the Group as a consequence thereof. The Group regularly assesses its compliance level in respect of King III to ensure that all areas that require improvement are appropriately identified and addressed. Details of the Sanlam Limited Group's (Sanlam Group) application of each King III principle is available on the website www.sanlam.com. A number of policies and procedures have been addressed within the main operating companies in the Sanlam Group, including Sanlam Life. The Board has embedded the principles and recommendations of King III across the Group.

Focus areas during the past financial year included:

- Ongoing compliance with and enhancement of the Sanlam Group Corporate Governance Policy Framework.

- The Sanlam Group strategy was refined in December 2015 and is being implemented as appropriate by the Sanlam Life Group.

- The preparation of a comprehensive Sanlam Sustainability Report for 2015.

- Presentation of Sanlam's Remuneration Report to its shareholders, enabling them to cast a non-binding advisory vote on the Company's Remuneration Policy. The disclosure in the 2015 Remuneration Report was updated in line with developing best practice. The Remuneration Policy is also applicable to the Sanlam Life Group.

- The annual evaluation of the independent status of Sanlam's directors in accordance with the King III standards and criteria.

- The members of the Sanlam Group Audit, Actuarial and Finance committee have been elected by the shareholders at the AGM held in June 2015 and this process will be repeated in 2016 as members are selected annually at the AGM.

- Annual review and approval of Sanlam's Risk Appetite Statement has been approved by the Sanlam Life Board.

- Regular refinement of the combined assurance models (CAM) for each significant business within the Group.

- Ongoing adherence to the Group IT Governance Framework and Charter as well as the IT Policy Framework.

Information Technology (IT) is essential for Sanlam and is truly pervasive. The Board's governance of IT directs the strategic and operational use of IT, ensuring benefits are realised at an acceptable and articulated level of risk. IT receives appropriate focus and is viewed as an important enabler of projects that effect change to businesses in the Sanlam Group. Thus, IT Governance is extended to include all major change projects. The IT Governance framework established at Group level extends into the businesses and is tailored to suit their specific needs. Similarly, IT Governance capacity and awareness are established through all Board and management structures within the businesses.

The Board of Sanlam Life continues to entrench the principles and recommendations of King III across the Group. The roll-out and implementation of the King III principles at subsidiary, joint venture and associated company level (including non-South African entities) will continue with special focus on the application of the Group governance policy, disclosure requirements regarding integrated reporting as well as the composition of governance structures.

According to Sanlam's decentralised business approach, each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to subscribe to the spirit and principles of King III or appropriate local governance requirements in the case of non-South African businesses. All the business and governance structures in the Group are supported by clear approval frameworks and agreed upon business principles, ensuring a coherent and consistent governance approach throughout the Group.

Refer to the Sanlam Group Annual Report 2015 for a greater appreciation of the application of King III by the Sanlam Group. Specifically, under the Group's Code of Ethical Conduct, no material breaches were reported during 2015. The Group compliance function, together with the compliance functions of the business divisions and units, facilitates the management of compliance through the analysing of statutory and regulatory requirements, and monitoring of the implementation and execution thereof. Material deviations are reported to the Sanlam Risk and Compliance committee. No material matters of non-compliance with applicable laws, industry regulations and codes, as well as internal policies, were reported during 2015.

Board responsibilities and functioning

All the directors of Sanlam Limited (Sanlam) also serve on the Board of Sanlam Life, a wholly owned subsidiary of Sanlam. The two Boards function as an integrated unit in practice as far as possible. Both Boards have the same independent director as chairman, as well as the same executive director as Chief Executive.

The Sanlam and Sanlam Life Board meetings are combined meetings and are held concurrently, thereby removing one layer of discussions in the decision-making process. This is an attempt to enhance productivity and efficiency of the two Boards, to prevent duplication of effort and to optimise the flow of information.

The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, as well as compliance with Long-term Insurance Act requirements. The responsibility for managing all Sanlam's direct subsidiaries has been formally delegated to the Sanlam Life Board. The Sanlam Life Board has the following Board Committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources and Remuneration
- Customer Interest

The annual Board effectiveness review was conducted by Deloitte during 2015. It was reported that the Boards and committees were functioning very well and there were no material matters to report.

Refer to the Sanlam Group Annual Report 2015 for a greater appreciation of the composition and functioning of the Board. Further details of Board members, including their qualifications, committee memberships and other major positions, directorships or associations, are disclosed on pages 230 to 243 of the Sanlam Group Annual Report 2015.

Audit, Actuarial and Finance committee (Audit committee)

In line with global best practice the functions of the Audit and Risk committee continue to be split into two separate committees, namely a Risk and Compliance committee and an Audit, Actuarial and Finance committee. This allows sufficient attention to be devoted to the Audit and Risk matters.

Members and dates of first appointment:
P de V Rademeyer (Chairman) (08/06/2011), PR Bradshaw (04/12/2013), CB Booth (01/01/2015) and K Nondumo (appointed on 01/01/2016).

Attendees:
Group Chairman, Group Chief Executive, Financial Director, Chief Actuary, Chief Audit Executive, the heads of business clusters (as required), heads of control functions as well as expert invitees; CG Swanepoel, AS du Plessis, PJ Cook, D Ladds and AP Zeeman.

This committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act No 71 of 2008 (the Act), as amended, the individual members of the committee are appointed annually by the shareholders at the Sanlam AGM for the ensuing financial year. The committee consists of three (four from 01/01/2016) members with financial, actuarial and other relevant areas of experience (as described in its charter). The external audit partners as well as other assurance providers also attend committee meetings. This committee also discharges all the (statutory) Audit committee responsibilities in terms of the Act on behalf of almost all of the subsidiary companies within the Group.

The Audit committee has a formal terms of reference approved by the Board, and is satisfied it has discharged these responsibilities. The role of the Audit committee is to fulfil all of the functions set out in the Act, to assist the Board in fulfilling its responsibility with regard to financial and auditing oversight responsibilities, as well as the overall quality and integrity of financial and actuarial reporting and internal control matters. The Audit committee annually evaluates the Group's internal controls and has satisfied itself that there were no material breakdowns in internal financial control systems during the year.

The Audit committee, after due consideration, recommends the annual financial statements to the Board for approval. It also performs the prescribed statutory requirements including those applicable to the external auditor. The last mentioned includes the annual recommendation of the external auditor to the shareholders at the AGM, agreeing to the scope of the audit and budgeted audit fees in the annual audit plan presentation and approval of the final audit fees. As required by the Act, the committee annually reviews compliance of the external auditor with the non-audit services policy of the Group.

The Audit committee ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities. The committee also reviews and approves the Internal Audit Charter, reviews the effectiveness of the internal audit structures and considers the findings of internal audit. The committee also meets with the Chief Audit Executive independently of management.

The Audit committee performs an annual evaluation of the financial function in Sanlam. The committee executed this responsibility at its meeting in December 2015 and was satisfied that the financial function had appropriate resources, skills, expertise and experience. In December 2015, the committee also confirmed that it is and was satisfied that Mr JP Möller, the financial director of Sanlam and Sanlam Life, possesses the appropriate skills, expertise and experience to meet the responsibilities required for that position during his service as such. The committee also reviewed and confirmed its satisfaction with the performance of the Chief Audit Executive.

The Board sets a policy that governs the level and nature of non-audit services, which requires pre-approval by the Audit committee for all non-audit services. As required by the Act, the committee has, after consideration of the level and types of non-audit services provided and other enquiries and representations, satisfied itself that Sanlam's external auditor is independent of the Company and has recommended the reappointment of Ernst & Young Inc. as external auditor for the 2016 financial year and Ms JC de Villiers as the designated individual registered auditor who will undertake the audit of Sanlam Life Insurance Limited on behalf of Ernst & Young Inc.

This committee's charter is also reviewed annually by the Board. The Audit committee is satisfied it has discharged its legal, regulatory and other responsibilities.

The committee meets at least four times a year.

The Audit committee report for the 2015 financial year

The Audit committee has pleasure in submitting this report, as required in terms of the Act. The Audit committee consists of three non-executive directors who act independently as described in section 94 of the Act. During the period under review, four meetings were held and all the committee members attended all the meetings. At the meetings, the members fulfilled all their functions as prescribed by the Act as well as those additional functions as determined by the Board.

A list of the functions of the Audit committee is contained in the Committee Charter, some of which are elaborated upon above. The Audit committee evaluated the Company's internal financial controls and has satisfied itself that there were no material breakdowns in such controls during the year.

The Audit committee has satisfied itself that the auditors are independent of the Company and are thereby able to conduct their audit functions without any undue influence from the Company.

The audit committee has recommended the Annual Financial Statements to the Board for approval.

P de V Rademeyer
Audit Committee Chairman

GROUP AND COMPANY RESULTS

Profit before tax for the Group decreased from R13 739 million in 2014 to R12 715 million in 2015, mainly as a result of a decrease in investment surpluses in 2015. Profit before tax for the Company decreased from R13 929 million in 2014 to R11 545 million in 2015. Further details regarding the Group's results are included in the financial statements on pages 38 to 137.

SHARE CAPITAL

There were no changes in the authorised and issued share capital of the company during the financial year.

DIVIDEND

No dividend was declared and paid in the 2015 financial year (2014: R3 950 million).

SUBSIDIARIES

Details of the company's principal subsidiaries are set out on page 80.

HOLDING COMPANY

Sanlam Life is a wholly owned subsidiary of Sanlam, a company incorporated in South Africa and listed on the JSE and the Namibia Stock Exchange.

DIRECTORS' INTEREST IN CONTRACTS

No material contracts involving directors' interests were entered into in the year under review.

DIRECTORS AND SECRETARY

Particulars of the directors and secretary of the company are set out on page 1.

DIRECTORS' EMOLUMENTS

Refer to note 24 for details on directors' emoluments. Further details can also be found in the Remuneration report in the Sanlam Group Annual Report 2015.

EMPLOYMENT EQUITY

The required report in terms of section 21 of the Employment Equity Act has been submitted and a compliance certificate has been issued. See page 138 for an extract of the report.

SUBSEQUENT EVENTS

During November 2015 agreements were concluded whereby Sanlam Emerging Markets (SEM) and Santam will jointly acquire an effective 30% interest in Saham Finances, the insurance arm of the Saham Group. Saham Finances operates in 26 countries across North, West and East Africa, and the Middle East. It is the largest insurer in Africa, excluding South Africa. The acquisition consideration amounts to US$400 million, including transaction related cost and working capital for the Group company that will hold the investment in Saham Finances. All the required regulatory approvals were obtained after year-end and the transaction is expected to close shortly.

No other material facts or circumstances have arisen between the dates of the statement of financial position and this report which materially affects the financial position of Sanlam Life at 31 December 2015 as reflected in these annual financial statements.

NOTICE IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT, 2008 (THE ACT)

The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assistance to Group companies as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in Section 45 of the Act.

In accordance with Section 45(5) of the Act this serves to give notice that the Sanlam Life Board, in line with existing practice, approved that the Company may, in accordance with and subject to the provisions of section 45 of the Act and in terms of the special resolution passed in 2015, provide such direct or indirect financial assistance to related and inter-related companies and corporations as described in Section 45 of the Act.

The amount and format of financial assistance which may be granted pursuant to the resolution is subject to on-going review by the Sanlam Board and may in total exceed the reporting threshold of 0,1% of the Sanlam Life Group's net asset value provided for in the Act.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been approved by the directors as reflected on page 3, including the certificate by the Company Secretary on page 3 and the Audit committee report for the 2015 financial year on page 8.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SANLAM LIFE INSURANCE LIMITED

We have audited the consolidated and separate financial statements of Sanlam Life Insurance Limited set out on pages 38 to 137, which comprise the statements of financial position as at 31 December 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sanlam Life Insurance Limited as at 31 December 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2015, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on Other Legal and Regulatory Requirements
Ernst & Young Inc., and its predecessor firms, have been the joint auditors of Suid-Afrikaanse Nasionale Lewens Assuransie Maatskappij Beperk (South African National Life Assurance Company Limited) since it came into existence in 1918. The entity was demutualised and incorporated as the company, Sanlam Life Insurance Limited, in 1998. As of 2002, Ernst & Young Inc. was appointed as the sole auditor of Sanlam Life Insurance Limited. In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, and subsequent guidance, we report that Ernst & Young Inc., and its predecessor firms, have been the auditors of Sanlam Life Insurance Limited for a total of 98 years. We confirm that we are independent in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors and other independence requirements applicable to the independent audit of Sanlam Life Insurance Limited.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Johanna Cornelia de Villiers
Registered Auditor
Chartered Accountant (SA)

Ernst & Young House
35 Lower Long Street
Cape Town

19 April 2016

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

BASIS OF PRESENTATION

Introduction

The consolidated financial statements are prepared on the historical-cost basis, unless indicated otherwise, in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Standards Council, and the Companies Act 71 of 2008 (as amended), in South Africa. The financial statements are presented in South African rand rounded to the nearest million, unless otherwise stated. No new or revised IFRSs and interpretations became effective in the current year that impacted the financial statements.

The following significant new or revised IFRSs and interpretations have effective dates applicable to future financial years and have not been early adopted:

- IFRS 9 - *Financial Instruments (effective 1 January 2018)*
- IFRS 15 - *Revenue from Contracts with Customers (effective 1 January 2018)*
- IFRS 16 - *Leases (effective 1 January 2019)*

The application of these revised standards and interpretations in future financial reporting periods on the Group's reported results, financial position and cash flows is in the process of being determined.

The following section provides additional information in respect of the presentation of selected items in the Group and company financial statements on pages 38 to 84 and pages 89 to 137.

Use of estimates, assumptions and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. These estimates and assumptions affect items reported in the Group statement of financial position and statement of comprehensive income, as well as contingent liabilities. The major items subject to the application of estimates, assumptions and judgements include:

- The fair value of unlisted investments;
- The valuation of policy liabilities;
- Potential claims and contingencies; and
- The consolidation of investment funds where the Group has less than a majority interest.

Although estimates are based on management's best knowledge and judgement of current facts as at the statement of financial position date, the actual outcome may differ from these estimates, possibly significantly. Refer to note 30 for further information on critical estimates and judgements and note 33 for information on contingencies.

Policyholders' and shareholders' activities

The Group financial statements set out on pages 38 to 84 include the consolidated activities of the policyholders and shareholders. The Statement of Actuarial Values of Assets and Liabilities of the Group is disclosed on pages 85 to 88.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance businesses are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS, generally accepted actuarial practice and the stipulations contained in the

Sanlam Life demutualisation proposal. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out on pages 32 to 37.

Insurance contracts

The disclosure of claims experience in claims development tables is based on the period when the earliest material claims arose for which there is still uncertainty about the amount and timing of the claims payments.

Cash, deposits and similar securities

Cash, deposits and similar securities include bank account balances, call, term and negotiable deposits, promissory notes and money market collective investment schemes. A distinction is made between:

- Cash, deposits and similar securities included in the asset mix of policyholders' and shareholders' fund investment portfolios, which are disclosed as investments in the Group statement of financial position; and
- Working capital balances that are disclosed as working capital assets, apart from bank overdrafts, which are disclosed as working capital liabilities.

Financial instruments

Owing to the nature of the Group's business, financial instruments have a significant impact on the Group's financial position and performance. Audited information in respect of the major categories of financial instruments and the risks associated therewith are provided in the following sections:

- Audited Capital and Risk Management report on pages 89 to 137;
- Note 7: Investments;
- Note 15: Long-term policy liabilities;
- Note 16: Term finance, and
- Note 30: Critical accounting estimates and judgements

Segmental information

The Group reports in five distinct segments, grouped according to the similarity of the solution offerings and market segmentations of the various businesses. The five segments are:

- Sanlam Personal Finance;
- Sanlam Emerging Markets;
- Sanlam Investments, which includes Investment Management, Capital Management and Sanlam Employee Benefits;
- Santam; and
- Corporate and Other.

The decentralised nature of the Group businesses facilitates the allocation of costs between them, as the costs are directly attributable to the different businesses. Inter-segment transfers are estimated to reflect arm's length prices.

The audited segmental information is disclosed in the annual financial statements on pages 72 to 73.

Intergroup loans

Intergroup loans are disclosed as follows:

- Loans between the Group and the ultimate holding company are included in working capital assets and liabilities;
- Loans between the Group and other fellow subsidiaries in the rest of the Sanlam Limited Group are included in working capital assets and liabilities; and
- Loans between the Company and subsidiaries are included in investments in subsidiaries, to reflect the total investment in these subsidiaries.

ACCOUNTING POLICIES

1. Introduction

The Sanlam Life Group has identified the accounting policies that are most significant to its business operations and the understanding of its results. These include policies relating to insurance liabilities, deferred acquisition costs, the ascertainment of fair values of financial assets, financial liabilities and derivative financial instruments, and the determination of impairment losses. In each case, the determination of these is fundamental to the financial results and position, and requires management to make complex judgements based on information and financial data that may change in future periods. Since these involve the use of assumptions and subjective judgements as to future events and are subject to change, the use of different assumptions or data could produce materially different results.

These policies (as set out below) are in accordance with and comply with IFRS and have been applied consistently for all periods presented, unless otherwise noted.

2. Significant accounting policies

Basis of consolidation

Subsidiaries and consolidated funds are entities that are controlled by Sanlam Life Insurance Limited or any of its subsidiaries. The Group has control over an entity where it has the right or is exposed to variable returns and has the power, directly or indirectly, to affect those returns. Specifically, the Group controls an entity if and only if the Group has:

- Power or existing rights over the entity or investee that give it the ability to direct relevant activities;
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights, the Group consider all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses on a continuous basis whether or not it controls an investee.

The purchase method of accounting is applied to account for acquisitions of subsidiaries. The cost of an acquisition is measured as the fair value of consideration transferred, equity instruments issued and liabilities assumed at the date of exchange. Costs directly attributable to an acquisition are expensed in the Statement of Comprehensive Income with effect from the 2010 financial year. These costs were capitalised against the investment acquired in financial years up to the end of 2009. Identifiable assets and liabilities acquired and contingent liabilities assumed are recognised at fair value at acquisition date. The excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets and contingent liabilities represents goodwill and is accounted for in terms of the accounting policy note for goodwill. If the cost of an acquisition is less than the fair value of the net identifiable assets and contingent liabilities, the difference is recognised in the statement of comprehensive income.

The results of subsidiaries and consolidated funds are included from the effective dates when the Group has control to the effective dates when the Group ceases to have control, using accounting policies uniform to the Group. Intergroup transactions, balances and unrealised profits on intergroup transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates the impairment of the asset transferred.

The interest of non-controlling shareholders in subsidiaries is stated at the non-controlling shareholder's share of the recognised values of the subsidiaries' assets and liabilities. Net losses attributable to non-controlling's shareholders in excess of the non-controlling interest are recognised as negative reserves against non-controlling's shareholders' interest.

A financial liability is recognised, and classified as at fair value through profit or loss, for the fair value of external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS. Changes in the fair value of the external investors' liability are recognised in the statement of comprehensive income. In all other instances, the interests of external investors in consolidated funds are not financial liabilities and are recognised as non-controlling shareholders' interest.

The Group offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the group with a cell owner, whereby the risks and rewards associated with certain insurance activities accrue to the cell shareholder. Cell captives allow clients to purchase non-convertible preference shares in the registered insurance company which undertakes the professional insurance management of the cell, including: underwriting, reinsurance, claims management, actuarial and statistical analysis, investment and accounting services. The terms and conditions are governed by the shareholders' agreement. There are currently two distinct types of cell captive arrangements:

- *First party* - where the risks that are being insured relate to the cell shareholder's own operations or operations within the cell shareholder's group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are a single contract there is no significant risk transfer and such cell captive facilities are accounted for as investment contracts.
- *Third party* - where the cell shareholder provides its own client base with the opportunity to purchase branded insurance products. The company is the principle to the insurance contract, although the business is underwritten on behalf of the cell shareholder. However, the shareholder's agreement determines that the cell shareholders remain responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell shareholder as the cell shareholder remains responsible for the solvency of the cell captive arrangement.

The cell shareholder's interest represents the cell shareholder's funds held by the insurer and is included under liabilities due to cell shareholders. The carrying value of amounts due to cells is the consideration received for preference shares plus the accumulated funds in respect of business conducted in the cells less repayment to cells.

The Company financial statements are consistent with the Group financial statements, apart from investments in subsidiaries, associates and joint ventures, which are valued at fair value through profit or loss. Stock exchange prices or directors' valuations are used to determine fair value for listed subsidiaries, associates and joint ventures. The fair values of unlisted subsidiaries, associates and joint ventures are determined by the directors using equity valuation methodologies.

Equipment

Equipment is reflected at its depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets, which vary between two and twenty years. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. Cost prices include costs directly attributable to the acquisition of property and equipment, as well as any subsequent expenditure when it is probable that future economic benefits associated with the item will flow to the Group and the expenditure can be measured reliably. All other expenditure is recognised in the statement of comprehensive income when incurred. Equipment is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

Owner-occupied property

Owner-occupied property is property held for use in the supply of services or for administration purposes. These properties are valued at carrying amount less depreciation and provisions for impairment in value, where appropriate. The carrying amount is based on the cost of properties classified as owner-occupied on date of acquisition and the fair value at date of reclassification in instances where properties are reclassified from investment properties to owner-occupied properties. Depreciation is provided for on a straight-line basis by taking into account the residual value and estimated useful life of the property. The residual values, estimated useful lives of the owner-occupied properties and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. Owner-occupied property is assessed bi-annually for indicators of impairment. When owner-occupied properties become investment properties, they are reclassified to investment properties at the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification is recognised directly in other comprehensive income as a revaluation surplus. Owner-occupied property is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

Goodwill

Goodwill arises on the acquisition of a subsidiary company or the acquisition of a business. It represents the excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets of the subsidiary or business at the date of acquisition. Goodwill is not amortised. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of goodwill attributable to the entity or business sold.

Goodwill is not recognised when an interest in an existing subsidiary is increased. The difference between the cost of the acquisition and the non-controlling interest acquired is accounted for directly in equity. These differences were recognised as goodwill for business combinations occurring before 1 January 2010. When an interest in an existing subsidiary is decreased without a loss of control, the difference between the proceeds received and the share of the net assets disposed of, including an appropriate portion of the related goodwill is accounted for directly in equity. These profits and losses were recognised in the Statement of Comprehensive Income before 1 January 2010.

For impairment purposes the carrying amount of goodwill is allocated to cash generating units, reviewed bi-annually for impairment and written down where this is considered necessary. Impairment losses in respect of goodwill are recognised in the statement of comprehensive income and are not reversed. Where a number of related businesses acquired in the same business combination are allocated to different Group business divisions, the related goodwill is allocated to those cash generating units that expect to benefit from the synergies of the business combination.

Goodwill in respect of associates and joint ventures is included in the carrying value of investments in associates and joint ventures. For impairment purposes each investment is tested for impairment individually and goodwill is not tested separately from the investment in associates and joint ventures, nor is any impairment allocated to any underlying assets.

Value of insurance and investment business acquired

The value of insurance and investment management services contracts acquired (VOBA) in a business combination is recognised as an intangible asset. VOBA, at initial recognition, is equal to the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profit that is expected to flow from the book of business acquired, after allowing for the cost of capital supporting the business, as applicable. The valuation is based on the Group's actuarial and valuation principles as well as assumptions in respect of future premium income, fee income, investment return, policy benefits, costs, taxation, mortality, morbidity and surrenders, as appropriate.

VOBA is amortised on a straight-line basis over the expected life of the client relationships underlying the book of business acquired. VOBA is tested for impairment on a bi-annual basis and written down for impairment where this is considered necessary. Where impairment events subsequently reverse, impairments are reversed up to a maximum of what the amortised cost would have been. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of VOBA attributable to the entity or business sold. VOBA is derecognised when the related contracts are terminated, settled or disposed of.

Other intangible assets

Acquired intangible assets are recognised at cost on acquisition date. Subsequent to initial recognition, these assets are reflected at their depreciated cost prices less provisions for impairment in value, where appropriate. Amortisation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each statement of financial position date and adjusted, as appropriate. Other intangible assets are assessed for indicators of impairment on a bi-annual basis and written down for impairment where this is considered necessary.

Costs associated with software development for internal use are capitalised if the completion of the software development is technically feasible, the Group has the intent and ability to complete the development and use the asset, the asset can be reliably measured and will generate future economic benefits.

No value is attributed to internally developed brands or similar rights. Costs incurred on these items are charged to the statement of comprehensive income in the period in which they are incurred.

Deferred acquisition costs

Incremental costs directly attributable to the acquisition of investment contracts with investment management services are capitalised to a deferred acquisition cost (DAC) asset if they are separately identifiable, can be measured reliably and it is probable that they will be recovered. DAC are amortised to the statement of comprehensive income over the term of the contracts as the related services are rendered and revenue recognised, which varies from year to year dependent on the outstanding term of the contracts in force. The DAC asset is tested for impairment bi-annually and written down when it is not expected to be fully recovered from future fee income.

Long-term reinsurance contracts

Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts. The expected claims and benefits to which the Group is entitled under these contracts are recognised as assets. The Group assesses its long-term reinsurance assets for impairment bi-annually. If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to a recoverable amount, and the impairment loss is recognised in the statement of comprehensive income.

Financial instruments

Financial instruments carried on the statement of financial position include investments (excluding investment properties, associates and joint ventures), receivables, cash, deposits and similar securities, investment policy contracts, term finance liabilities, liabilities in respect of external investors in consolidated funds and trade creditors.

Recognition and derecognition

Financial instruments are recognised when the Group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the Group that is not subject to suspensive conditions. Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires.

Collateral placed at counter parties as part of the Group's capital market activities are not derecognised. No transfer of ownership takes place in respect of collateral other than cash and any such collateral accepted by counter parties may not be used for any purpose other than being held as security for the trades to which such security relates. In respect of cash security, ownership transfers in law. However, the counter party has an obligation to refund the same amount of cash, together with interest, if no default has occurred in respect of the trades to which such cash security relates. Cash collateral is accordingly also not derecognised.

Classification

Financial instruments are classified into the following categories:
- *Financial assets:* At fair value through profit or loss
Loans and receivables
- *Financial liabilities:* At fair value through profit or loss
Other financial liabilities

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. Financial instruments classified as at fair value through profit or loss comprise of held for trading assets and liabilities as well as financial instruments designated as at fair value through profit or loss. All non-trading financial instruments are designated as at fair value through profit or loss apart from:

- Working capital receivables that are classified as loans and receivables based on their short-term nature;
- Financial assets acquired as part of interest margin business to match specific financial liabilities, which are classified as loans and receivables;
- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets, which are classified as other financial liabilities; and
- Working capital payables that are classified as other financial liabilities based on their short-term nature.

The Group designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the Group's capital and activities on a fair value basis, apart from the exceptions outlined above. The Group's internal management reporting basis is consistent with the classification of its financial instruments.

Initial measurement

Financial instruments at fair value through profit or loss are initially recognised at fair value. Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the statement of comprehensive income as investment surpluses. Other financial instruments are recognised at the fair value of the consideration given or received in exchange for the instrument plus transaction costs that are directly attributable to their acquisition. Regular way investment transactions are recognised by using trade date accounting.

Subsequent measurement and impairment

Financial instruments classified as at fair value through profit or loss are carried at fair value after initial recognition, with changes in fair value recognised in the statement of comprehensive income as investment surpluses. The particular valuation methods adopted are disclosed in the individual policy statements associated with each item.

Loans and receivables and other financial liabilities are carried at amortised cost using the effective interest rate method.

The carrying values of all loans and receivables are assessed for indicators of impairment bi-annually. A financial asset is deemed to be impaired when there is objective evidence of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the asset's estimated future cash flows discounted at the original effective interest rates, and is recognised in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be attributed to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income, to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised. If a financial asset would have been impaired had the terms of the asset not been renegotiated, the asset continues to be accounted for in accordance with its category, and the difference between the carrying amount based on the new terms and the previous carrying amount is recognised in the statement of comprehensive income as investment surpluses.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Investments

Investment properties

Investment properties comprise properties held to earn rental income and/or for capital appreciation. Investment properties are carried at fair value based on valuations by external valuators, less the cumulative straight-line rental adjustment (refer to the accounting policy for investment income). The valuators have appropriate qualifications and extensive experience in property valuations. Fair values are determined by discounting expected future cash flows at appropriate market interest rates. Valuations are carried out monthly. Changes in the fair value of investment properties are recognised in the statement of comprehensive income as investment surpluses.

When investment properties become owner-occupied, the Group reclassifies them to owner-occupied properties at a deemed cost equal to the fair value of the investment properties at the date of reclassification. When owner-occupied properties become investment properties, they are reclassified to investment properties at a deemed cost equal to the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification to investment properties is recognised directly in equity as a revaluation surplus.

Investment properties are derecognised when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal.

Associates

An associate is an entity, not being a subsidiary, in which the Group has a long-term investment and over which it has the ability to exercise significant influence, being the ability to participate in the financial and operating policies of the entity without being able to jointly control or control those policies by virtue of a majority vote.

Investments in associates are recognised on the date significant influence is obtained and derecognised on the date significant influence is lost. Investments in associates, other than those investments, or portions thereof, held by investment-linked life insurance funds, are initially recognised at cost. The results of these associated companies after initial recognition are accounted for using the equity method of accounting, whereby the Group's share of associates' post-acquisition profit or loss is recognised in the Group statement of comprehensive income as equity-accounted earnings, and the Group's share of associates' other post-acquisition movement in equity reserves, (other than those related to dividends) is recognised in reserves, with a corresponding adjustment to the carrying value of investments in associates. Net losses are only recognised to the extent of the net investment in an associate, unless the Group has incurred obligations or made payments on behalf of the associate. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying amount is reviewed bi-annually for impairment and written down where this is considered necessary. The carrying value of the investment in an associate includes goodwill.

Investments in associates, or portions thereof, held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The results of joint ventures, other than those held by investment-linked life insurance funds, are accounted for using the equity method of accounting, whereby the Group's share of the joint ventures' profit or loss is recognised in the Group statement of comprehensive income as equity-accounted earnings, and the Group's share of joint ventures' post-acquisition movement in reserves is recognised in reserves, with a corresponding adjustment to the carrying value of investments in joint ventures. Net losses are only recognised to the extent of the net investment in a joint venture, unless the Group has incurred obligations or made payments on behalf of the joint venture. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying value of the investment in a joint venture is reviewed bi-annually for impairment and written down where this is considered necessary. The carrying value of the investment in a joint venture includes goodwill.

Investments in joint ventures held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Other investments

Other investments comprise:

- Equities and similar securities (including non-trading derivatives);
- Interest-bearing investment;
- Structured transactions;
- Investment funds; and
- Cash, deposits and similar securities.

These investments are either classified as at fair value through profit or loss (measured at fair value), or as loans and receivables (measured at amortised cost), as described in the financial instruments accounting policy note. Loans of investment scrip are not treated as sales and purchases. Structured transactions include derivatives, structured notes and collaterised securities.

Derivative instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency, interest rate and equity options and other derivative financial instruments that are measured at fair value.

Fair values are obtained from quoted market prices. In the absence of quoted market prices the Group uses valuation techniques that incorporate factors that market participants would consider in setting the price and are consistent with accepted economic methodologies for pricing derivatives such as discounted cash flow models and option pricing models, as appropriate. The Group calibrates its valuation techniques against market transactions or any available observable market data. Day one gains or losses on derivatives measured using these valuation techniques are recognised in the statement of comprehensive income to the extent that they arise from a technique that incorporates only variables based on observable market data and there has been a change in one of these variables (including time). If there has been no change in one of these variables, the gains or losses are deferred, and recognised in the statement of comprehensive income over the life of the instrument.

The Group does not separate embedded derivatives that meet the definition of an insurance contract or relate to investment contracts recognised at fair value.

Derivatives are used for non-trading purposes by Group businesses. The fair values related to non-trading derivatives are included in trade and other receivables (refer to policy note below) and the fair values of non-trading derivatives are included in the appropriate investment category. Non-trading transactions are those which are held for economic hedging purposes as part of the Group's risk management strategy against assets, liabilities, positions or cash flows measured at fair value, as well as structures incorporated in the product design of policyholder products. The hedge accounting treatment prescribed by IAS 39, *Financial Instruments: Recognition and Measurement* is not applied. Although the nature of these derivatives is non-trading from a management perspective, IAS 39 requires all derivatives to be classified as held for trading for accounting purposes.

Non-current assets held for sale

Non-current assets held for sale comprise non-current assets for which the carrying value will be recovered principally through a sale transaction rather than through continuing use.

These assets are measured at the lower of their carrying value and their fair value less costs to sell, unless they are specifically excluded from the measurement provisions of IFRS 5 - *Non-current assets held for sale and discontinued operations,* in which case they are measured in accordance with the applicable IFRS. Immediately before initial classification as held for sale, the assets to be reclassified are measured in accordance with applicable IFRSs. When the sale of such non-current assets held for sale is expected to occur beyond one year, costs to sell are measured at their present value. Any increase in the present value of the costs to sell arising from the passage of time is presented in profit and loss as a financing cost.

Cash, deposits and similar securities

Cash, deposits and similar securities consist of cash at hand, call deposits at banks, negotiable certificates of deposit and other short-term highly liquid investments.

General insurance technical provisions and assets

Outstanding claims

Liabilities for outstanding claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The Group does not discount its liabilities for unpaid claims.

Unearned premiums

General insurance premiums are recognised as financial services income proportionally over the period of coverage. The portion of premiums received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as an unearned premium liability.

General insurance technical assets

The benefits to which the Group is entitled under its general reinsurance contracts are recognised as general insurance technical assets. These assets represent longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

In certain cases a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Group's property insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Group for the related claim, the difference is amortised over the estimated remaining settlement period.

Commissions and other incremental acquisition costs related to securing new contracts and renewing existing contracts are capitalised to deferred acquisition cost assets and amortised to the statement of comprehensive income over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

The Group assesses its general insurance technical assets for impairment on a bi-annual basis. If there is objective evidence that an asset is impaired, the Group reduces the carrying amount of the asset to its recoverable amount and recognises the impairment loss in the statement of comprehensive income.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Trade and other receivables

Trade and other receivables are measured at amortised cost apart from trading account assets.

Trading account assets include equities and similar securities, interest-bearing instruments and derivative financial instruments relating to the trading transactions undertaken by the Group for market making, to service customer needs, for proprietary purposes, as well as any related economic hedging transactions. These transactions are marked-to-market (fair values) after initial recognition and any profits or losses arising are recognised in the statement of comprehensive income as financial services income. The fair values related to such contracts and commitments are determined on the same basis as described for non-trading instruments in the policy note for financial instruments and are reported on a gross basis in the statement of financial position as positive and negative replacement values to the extent that set-off is not required by IAS 32 *Financial Instruments: Disclosure and Presentation*.

Other financial liabilities

Other financial liabilities include:

- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets measured at amortised cost;
- Other term finance liabilities measured at stock exchange prices or amortised cost as applicable;
- Investment contract liabilities measured at fair value, determined on the bases as disclosed in the section on *Policy Liabilities and Profit Entitlement*; and
- External investors in consolidated funds measured at the attributable net asset value of the respective funds.

Trade and other payables

Trade and other payables are measured at amortised cost, apart from trading account liabilities that are measured at fair value (refer to the description on the measurement of trading account assets in the accounting policy note for trade and other receivables, which also applies to trading account liabilities, adjusted for non-performance risk).

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions for onerous contracts are recognised when the expected benefits to be derived from contracts are less than the unavoidable cost of meeting the obligations under the contracts. Provisions are measured at the present value of the amounts that are expected to be paid to settle the obligations.

Share capital

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders. Preference shares issued by the Group that are redeemable or subject to fixed dividend payment terms are classified as term finance liabilities. Dividends paid in respect of term finance are recognised in the statement of comprehensive income as a finance cost.

Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

Non-distributable reserve

The reserve comprises the pre-acquisition reserve arising upon the demutualisation of Sanlam Life Insurance Limited and the regulatory non-distributable reserves of the Group's Botswana and Kenya operations.

Foreign currency translation reserve

The exchange differences arising on the translation of foreign operations to the presentation currency are transferred to the foreign currency translation reserve. On disposal of the net investment, the cumulative exchange differences relating to the operations disposed of are released to the statement of comprehensive income.

Consolidation reserve

A consolidation reserve is created for differences in the valuation bases of long-term policy liabilities and investments supporting those liabilities. Certain assets held in policyholder portfolios may not be recognised at fair value in terms of IFRS, whereas the valuation of the related policy liabilities is based on the assets at fair value. This creates a mismatch with a corresponding impact on the shareholders' fund. A separate reserve is created for these valuation differences owing to the fact that they represent accounting differences and not economic losses for the shareholders' fund. Valuation differences arise from the following investments which are accounted for as noted below for IFRS purposes, while for purposes of valuing the related policy liabilities these same investments are valued at fair value:

- Investments in subsidiaries, which are valued at net asset value plus goodwill; and
- Investments in associates and joint ventures, which are recognised on an equity-accounted basis.

The reserve represents temporary differences insofar as the mismatch is reversed when the affected investments are realised.

Cash flow hedging

Certain financial instruments are designated as hedging instruments of the exposures arising on certain highly probable forecast transactions (cash flow hedges). On designation of a hedged transaction, the Group documents the relationship between hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the hedging instrument that is used in the hedging transaction has been and will continue to be highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and accumulated in reserves in equity, while any ineffective portion is recognised immediately in the statement of comprehensive income within investment surpluses (if applicable).

When the highly probable forecast transaction that is hedged results in the recognition of a non-financial asset or liability the gains and losses previously deferred in equity are reclassified from equity and included in the measurement of the initial carrying amount of the asset or liability. The deferred amounts are ultimately recognised in profit or loss when the relating asset is impaired or sold or the liability settled.

Financial services income

Financial services income is considered to be revenue for IFRS purposes and includes:

- Income earned from long-term insurance activities, such as investment and administration fees, risk underwriting charges and asset mismatch profits or losses in respect of non-participating business;
- Income from short-term insurance business, such as short-term insurance premiums;
- Income from investment management activities, such as fund management fees and collective investment and linked-product administration fees; and
- Income from other financial services, such as independent financial advice and trust services.

Fees for investment management services

Fees for investment management services in respect of investment contracts are recognised as services are rendered. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

Fee income – long-term policy contracts

Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. These fees are recognised as revenue on an accrual basis as the related services are rendered.

General insurance premiums

Short-term insurance premiums are accounted for when receivable, net after a provision for unearned premiums relating to risk periods that extend to the following year. Inward short-term reinsurance agreement premiums are accounted for on an intimated basis.

Consulting fees earned

Consulting fees are earned for advice and other services provided to clients of the Group's financial advisory businesses. Fees are accounted for on an accrual basis as the related services are rendered.

Investment return

Investment income

Investment income includes interest, net rental income and dividend income received. Interest income is accounted for on a time proportionate basis that takes into account the effective yield on the asset and includes the net income earned from interest margin business.

Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The difference between rental income on a straight-line and accrual basis is recognised as part of the carrying amount of properties in the statement of financial position.

Dividend income is recognised once the last day for registration has passed. Capitalisation shares received in terms of a capitalisation issue from reserves, other than share premium or a reduction in share capital, are treated as dividend income. Dividend income from subsidiaries is recognised when the dividends are declared by the subsidiary.

Investment surpluses

Investment surpluses consist of net realised gains and losses on the sale of investments and net unrealised fair value gains and losses on the valuation of investments at fair value. These surpluses are recognised in the statement of comprehensive income on the date of sale or upon valuation to fair value.

Premium income – long-term policy contracts

Premium income from long-term insurance and investment policy contracts is recognised as an increase in long-term policy liabilities. The full annual premiums on individual insurance and investment policy contracts that are receivable in terms of the policy contracts are accounted for on policy anniversary dates, notwithstanding that premiums are payable in instalments. The monthly premiums in respect of certain new products are in terms of their policy contracts accounted for when due. Cover only commences when premiums are received.

Group life insurance and investment contract premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon receipt. The unearned portion of accrued premiums is included within long-term policy liabilities.

Policy contract benefits

Underwriting benefits

Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported (IBNR) are provided for and included in underwriting policy benefits. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Provision is made for underwriting losses that may arise from unexpired general insurance risks when it is anticipated that unearned premiums will be insufficient to cover future claims.

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit.

Other policy benefits

Other policy benefits are not recognised in the Group statement of comprehensive income but reflected as a reduction in long-term policy liabilities.

Maturity and annuity payments are recognised when due. Surrenders are recognised at the earlier of payment date or the date on which the policy ceases to be included in long-term policy liabilities.

Sales remuneration

Sales remuneration consists of commission payable to sales staff on long-term and short-term investment and insurance business and expenses directly related thereto, bonuses payable to sales staff and the Group's contribution to their retirement and medical aid funds. Commission is accounted for on all in-force policies in the financial period during which it is incurred.

The portion of sales remuneration that is directly attributable to the acquisition of long-term recurring premium investment policy contracts is capitalised to the deferred acquisition cost (DAC) asset and recognised over the period in which the related services are rendered and revenue recognised (refer policy statement for DAC asset).

Acquisition cost for general insurance business is deferred over the period in which the related premiums are earned.

Sales remuneration recognised in the statement of comprehensive income includes the amortisation of deferred acquisition costs as well as sales remuneration incurred that is not directly attributable to the acquisition of long-term investment policy contracts or general insurance business.

Administration costs

Administration costs include, *inter alia*, indirect taxes such as VAT, property and administration expenses relating to owner-occupied property, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs.

Leases

Leases, of assets, under which the lessor effectively retains all the risks and benefits of ownership, are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases where the Group effectively assumes all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalised at inception at the lower of the present value of minimum lease payments and the fair value of the leased assets. The effective interest rate method is used to allocate lease payments between finance cost and the lease liability. The finance cost component is recognised as an expense in the statement of comprehensive income. Finance lease assets recognised are depreciated, where applicable, over the shorter of the assets' useful lives and the lease terms.

Borrowing costs

Borrowing costs are recognised as an expense in the statement of comprehensive income on an accrual basis.

Taxation

Normal income tax

Current income tax is provided in respect of taxable income at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rate and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred income tax is provided for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes using the liability method, except for:

- Temporary differences relating to investments in associates, joint ventures and subsidiaries where the Group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future; and

- Temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that at transaction date do not affect either accounting or taxable profit or loss.

The amount of deferred income tax provided is based on the expected realisation or settlement of the deferred tax assets and liabilities using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets relating to unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax balances are reflected at current values and have not been discounted.

Foreign currencies

Transactions and balances

Foreign currency transactions are translated to functional currency, i.e. the currency of the primary economic environment in which each of the Group's entities operate, at the exchange rates on transaction date. Monetary assets and liabilities are translated to functional currency at the exchange rates ruling at the financial period-end. Non-monetary assets and liabilities carried at fair value are translated to functional currency at the exchange rates ruling at valuation date. Non-monetary assets and liabilities carried at historic cost are translated to functional currency at the exchange rates ruling at the date of initial recognition. Exchange differences arising on the settlement of transactions or the translation of monetary assets and liabilities are recognised in the statement of comprehensive income as financial services income. Exchange differences on non-monetary assets and monetary assets classified as investment assets, such as equities and foreign interest-bearing investments, are included in investment surpluses.

Foreign operations

Statement of comprehensive income items of foreign operations (including foreign subsidiaries, associates and joint ventures) with a functional currency different from the presentation currency are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific items, in which instances the exchange rate on transaction date is used. The closing rate is used for the translation of assets and liabilities, including goodwill and fair value adjustments arising on the acquisition of foreign entities. At acquisition, equity is translated at the rate ruling

on the date of acquisition. Post-acquisition equity is translated at the rates prevailing when the change in equity occurred.
Exchange differences arising on the translation of foreign operations are transferred to a foreign currency translation reserve until the disposal of the net investment when it is released to the statement of comprehensive income.

Retirement benefits

Retirement benefits for employees are provided by a number of defined benefit and defined contribution pension and provident funds. The assets of these funds, including those relating to any actuarial surpluses, are held separately from those of the Group. The retirement plans are funded by payments from employees and the relevant group companies, taking into account the recommendations of the retirement fund valuator.

Defined-benefit plans

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises service costs comprising current service cost, past-service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in net profit. When a fund is in a net surplus position, the value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Defined-contribution plans

Group contributions to the defined contribution funds are charged against the statement of comprehensive income in the year incurred.

Contingencies

Possible obligations of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and present obligations of the Group where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group statement of financial position but are disclosed in the notes to the financial statements.

Possible assets of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group, are not recognised in the Group statement of financial position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Staff incentive schemes

The following staff long-term incentive schemes have been implemented in the Group and have unvested conditions at 31 December 2015:

Deferred Share Plan (DSP)

The DSPs was introduced in 2007. In terms of the DSPs, Sanlam undertakes to deliver a fixed number of shares to selected employees on pre-determined dates in the future, on condition that the employee is still in the employment of Sanlam on those dates. Vesting occurs in three tranches over a period starting three years from the grant date, subject to certain performance targets.

Awards granted to selected employees under the DSP are conditional rights to acquire shares for no consideration subject to vesting conditions being satisfied. The vesting conditions are that the individual remains employed by the Sanlam Group throughout the vesting period and maintains agreed individual performance hurdles. The vesting period is 5 years and staggered vesting occurs in years 3 to 5 as follows:

- 3 years – 40%
- 4 years – 30%
- 5 years – 30%

The award granted under the DSP is not subject to the satisfaction of company performance conditions but does require meeting individually contracted performance hurdles.

The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date and the fact that employees will not be entitled to dividends until the shares vest. In the Sanlam Limited Group financial statements, the fair value of the equity investments granted in the date of grant is recognised in the statement of comprehensive income on a straight-line basis over the vesting period, with a corresponding increase in equity. In all other group entities, including on a Sanlam Life Group level, this plan is classified as a cash settled payment, and the fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in investment surplus.

Restricted Share Plan

The Restricted Share Plan was introduced in 2006. Selected key employees are granted fully paid-up shares at no consideration in terms of retention and performance agreements. Unconditional vesting occurs on pre-determined dates subject to certain performance targets being met.

The RSP has, to date, been operated in conjunction with the short-term bonus scheme. Where an individual's performance justifies a bonus award which will be in excess of the calculated cash amount, that excess amount will be awarded as restricted shares under the RSP. Under this plan, executives receive fully paid-up shares in the company. The executive owns the shares from the date of grant and is entitled to receive dividends. However, the shares are subject to vesting conditions and may be forfeited if these conditions are not met during the vesting period.

A portion of the restricted shares awarded requires the executive to remain employed within the Sanlam Group until the vesting date and maintain the agreed individual performance hurdles. This portion varies between 0% and 50% of the award and is dependent upon the executive's role. The remaining portion of the restricted shares awarded is subject to a business performance condition. The business performance condition for awards granted to date is that the Sanlam Group's adjusted RoGEV per share exceeds the Sanlam Group's cost of capital.

The measurement period is six years but vesting can occur on a staggered basis on the third, fourth, and fifth anniversary of the date of grant on the following basis, provided that all vesting conditions are met on such dates:

- 3 years – 40%
- 4 years – 30%
- 5 years – 30%

In the Sanlam Limited Group financial statements, the fair value of the equity investments granted in the date of grant is recognised in the statement of comprehensive income on a straight-line basis over the vesting period, with a corresponding increase in equity. In all other group entities, including on a Sanlam Life Group level, this plan is classified as a cash settled payment, and the fair value is expense over the period until the vesting date with recognition of a corresponding liability.

Dividends

Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

Policy liabilities and profit entitlement

Introduction

The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement for Sanlam Life are set out below. The same valuation methodology, where applicable, is applied in all material respects to value the policy liabilities of Sanlam Developing Markets, Channel Life, Safrican Insurance Company and Sanlam Emerging Markets, unless otherwise stated.

The valuation bases and methodology, which comply with South African actuarial guidelines and requires minimum liabilities to be held based on a prospective calculation of policy liabilities, serves as a liability adequacy test. No adjustment is required to the value of the liabilities at 31 December 2015 as a result of the aforementioned adequacy test.

The valuation bases and methodology comply with the requirements of IFRS.

Where the valuation of long-term policy liabilities is based on the valuation of supporting assets, the assets are valued on the bases as set out in the accounting policy for investments, with the exception of investments in treasury shares, subsidiaries, associated companies, joint ventures and consolidated funds, which are also valued at fair value.

Classification of contracts

A distinction is made between investment contracts without discretionary participation features (DPF) (which fall within the scope of IAS 39 - *Financial Instruments: Recognition and Measurement)*, investment contracts with DPF and insurance contracts (where the Financial Soundness Valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 - *Insurance Contracts).*

A contract is classified as insurance where Sanlam accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise the following categories:

- Investment contracts with DPF;
- Investment contracts with investment management services; and
- Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

- The benefits constitute a significant portion of each policy's total benefits;
- The timing and amount of the benefits are at the discretion of the Sanlam Life Group, which has to be exercised in a reasonable way; and
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IAS 39 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss.

Insurance contracts and investment contracts with DPF

The actuarial value of the policy liabilities is determined using the FSV method as described in Professional Guidance Note, SAP 104 issued by the Actuarial Society of South Africa (Actuarial Society), which is consistent with the valuation method prescribed in the LTIA and consistent with the valuation of assets at fair value as described in the accounting policy for investments. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- The compulsory margins prescribed in the LTIA; and
- Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The value of policy liabilities at 31 December 2015 exceeds the minimum requirements in terms of the LTIA, SAP 104 and APN 110.

The application of actuarial guidance, as set out in SAP 104 and APN 110 issued by the Actuarial Society, is described below in the context of the Group's major product classifications.

Best estimate of future experience

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from market yields of fixed interest securities on the valuation date, with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantee are taken into account.

  For some of the Group's African operations, where long-term fixed interest markets are underdeveloped, investment return assumptions are based on an assessment of longer-term economic conditions. The future investment returns for Namibian businesses are based on the market yields of South African fixed interest securities on the valuation date.

  Refer to note 7 on page 87 for investment return assumptions per asset class.

- Future expense assumptions are based on the 2015 actual expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses.

- Assumptions with regard to future mortality, disability and disability payment termination rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.

- Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability.

Asset portfolios

Separate asset portfolios are maintained in support of policy liabilities for each of the major lines of business; each portfolio having an asset mix appropriate for the specific product. Bonus rates are declared for each class of participating business in relation to the funding level of each portfolio and the expected future net investment return on the assets of the particular investment portfolio.

Bonus stabilisation reserves

Sanlam Life's individual and group stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation reserve is created, which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation reserve is created. A negative bonus stabilisation reserve will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Negative bonus stabilisation reserves in excess of 7,5% of the investment accounts are specifically disclosed. Bonus stabilisation reserves are included in long-term policy liabilities.

Provision for future bonuses

Provision was made for future bonuses so that each asset portfolio, less charges for expenses (including investment guarantee charges) and profit loadings, for each line of business would be fully utilised for the benefit of the policyholders of that portfolio.

Reversionary bonus business

The liability is set equal to the fair value of the underlying assets. This is equivalent to a best estimate prospective liability calculation using the bonus rates as set out above, and allowing for the shareholders' share of one-ninth of the cost of these bonuses.

The present value of the shareholders' entitlement is sufficient to cover the compulsory margins required in the LTIA and the Actuarial Society guidelines for the valuation of policy liabilities. These margins are thus not provided for in addition to the shareholders' entitlement.

Individual stable bonus, linked and market-related business

For investment policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

To the extent that the retrospective liabilities exceed the prospective liabilities, the valuation contains discretionary margins. The valuation methodology results in the release of these margins to shareholders on a fee minus expense basis consistent with the work done and risks borne over the lifetime of the policies.

An exception to the above relates to policy liabilities in respect of Sanlam Developing Markets' and Channel Life's individual Universal Life business (including stable bonus and market-linked business), which are valued prospectively. Negative values are not allowed in respect of any of these policies.

Group stable bonus business

In the case of group policies where bonuses are stabilised, the liabilities are equated to the fair value of the retrospectively accumulated underlying assets.

Future fees are expected to exceed expenses, including allowance for the prescribed margins. These excesses are released to shareholders consistent with the work done and risks borne over the lifetime of the policies.

Participating annuity business

The liabilities are equated to the fair value of the retrospectively accumulated underlying assets. This is equivalent to a best estimate prospective liability calculation allowing for future bonus rates as described above and expected future investment returns. Shareholder entitlements emerge in line with fees charged less expenses incurred consistent with work done and risks borne over the lifetime of the annuities. The present value of the shareholders' entitlement is sufficient to cover the compulsory margins for the valuation of policy liabilities. The compulsory margins are thus not provided for in addition to the shareholders' entitlement.

Non-participating annuity business

Non-participating life annuity instalments and future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted to allow for credit risk and investment administration charges. All profits or losses accrue to the shareholders when incurred.

Other non-participating business

Other non-participating business forms less than 7% of the total liabilities. Most of the other non-participating business liabilities are valued on a retrospective basis. The remainder is valued prospectively and contains discretionary margins via either an explicit interest rate deduction of approximately less than 1% on average or by not allowing policies with negative reserves.

For Sanlam Life's non-participating business other than life annuity business, an asset mismatch provision is maintained. The interest and asset profits arising from the non-participating portfolio are added to this provision. The asset mismatch provision accrues to shareholders at the rate of 1,33% monthly, based on the balance of the provision at the end of the previous quarter. The effect of holding this provision is, amongst other purposes, to dampen the impact on earnings of short-term fluctuations in fair values of assets underlying these liabilities. The asset mismatch provision represents a discretionary margin. A negative asset mismatch provision will not be created, but such shortfall will accrue to shareholders in the year in which it occurs.

Provision for HIV/Aids and other pandemics

A specific provision for HIV/Aids-related claims is maintained and included within the related prospective reserves.

A prospective calculation according to the relevant guidelines is performed for Sanlam Life's policies.

Premium rates for Group business are reviewed annually. The HIV/Aids provision is based on the expected HIV/Aids claims in a year and the time that may elapse before premium rates and underwriting conditions can be suitably adjusted should actual experience be worse than expected.

In addition, provision for claims relating to other pandemics is also made based on the estimated additional death claims should a moderate pandemic occur.

Provision for minimum investment returns guarantees

In addition to the liabilities described above, a stochastic modelling approach was used to provide for the possible cost of minimum investment return guarantees provided by some participating and market-related policies, consistent with actuarial guidance note APN 110.

Working capital

To the extent that the management of working capital gives rise to profits, no credit is taken for this in determining the policy liabilities.

Reinsurance

Liabilities are valued gross before taking into account reinsurance. Where material, the difference between the gross and net (after reinsurance) value of liabilities is held as a reinsurance asset.

Investment contracts (other than with DPF)

Contracts with investment management services

The liabilities for individual and group contracts are set equal to the retrospectively accumulated fair value of the underlying assets. The profits or losses that accrue to shareholders are equal to fees received during the period concerned plus the movement in the DAC asset less expenses incurred.

Where these contracts provide for minimum investment return guarantees, provision is made for the fair value of the embedded derivative.

Non-participating annuity business

Term annuity instalments and expected future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted to allow for credit risk and investment administration charges. All profits or losses accrue to the shareholders when incurred.

Guaranteed plans

Guaranteed maturity values and expected future expenses are discounted at market-related interest rates. All profits or losses accrue to the shareholders when incurred.

Sanlam Life Insurance Limited Group
Statement of financial position

at 31 December 2015

R million	Note	Group 2015	Group 2014	Company 2015	Company 2014
ASSETS					
Equipment	1	**828**	692	**243**	219
Owner-occupied properties	2	**1 306**	1 074	**534**	528
Goodwill	3	**1 502**	1 683	**753**	753
Other intangible assets		**455**	420	**173**	190
Value of business acquired	4	**1 197**	1 321	**-**	-
Deferred acquisition costs	5	**3 182**	3 039	**2 672**	2 561
Long-term reinsurance assets	6	**862**	863	**650**	642
Investments	7	**544 928**	504 751	**466 870**	442 849
Properties	7.1	**7 752**	7 173	**6 223**	6 120
Fixed properties		**7 537**	6 959	**6 008**	5 906
Straight-line rental adjustment		**215**	214	**215**	214
Equity-accounted investments	7.2	**15 119**	11 272	**-**	-
Equities and similar securities	7.3	**178 196**	176 259	**70 931**	75 644
Investment in subsidiaries, joint ventures and associates	7.4	**-**	-	**79 561**	74 948
Interest bearing investments	7.5	**160 253**	157 627	**88 977**	96 892
Structured transactions	7.5	**14 179**	12 348	**11 046**	9 570
Investment funds	7.5	**134 281**	116 666	**194 781**	169 622
Cash, deposits and similar securities	7.5	**35 148**	23 406	**15 351**	10 053
Deferred tax	8	**240**	217	**-**	-
Assets of disposal groups classified as held for sale	37	**540**	1 893	**-**	-
General insurance technical assets	9	**4 251**	3 964	**-**	-
Net defined benefit asset	31	**-**	144	**-**	144
Working capital assets		**43 462**	33 320	**10 835**	8 688
Trade and other receivables	10	**29 463**	21 231	**7 645**	8 041
Cash, deposits and similar securities		**13 999**	12 089	**3 190**	647
Total assets		**602 753**	553 381	**482 730**	456 574
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	11	**5 000**	5 000	**5 000**	5 000
Treasury shares		**(16)**	(22)	**-**	-
Other reserves	12	**9 065**	6 116	**5 429**	5 429
Retained earnings		**42 547**	34 790	**67 541**	57 727
Shareholders' fund		**56 596**	45 884	**77 970**	68 156
Non-controlling interest	14	**6 486**	5 131	**-**	-
Total equity		**63 082**	51 015	**77 970**	68 156
Long-term policy liabilities	15	**428 331**	403 290	**358 214**	340 059
Insurance contracts		**178 354**	181 881	**140 418**	148 804
Investment contracts		**249 977**	221 409	**217 796**	191 255
Term finance	16	**3 327**	3 376	**1 960**	2 040
Margin business		**300**	300	**-**	-
Other interest-bearing liabilities		**3 027**	3 076	**1 960**	2 040
Structured transaction liabilities		**2 374**	766	**2 025**	616
External investors in consolidated funds		**55 346**	50 381	**-**	-
Cell owners interest		**980**	925	**-**	-
Deferred tax	8	**2 004**	2 315	**1 635**	1 693
Liabilities of disposal groups classified as held for sale	37	**-**	1 466	**-**	-
General insurance technical provisions	9	**13 523**	12 592	**-**	-
Loans from subsidiaries	7.4	**-**	-	**30 406**	29 723
Working capital liabilities		**33 786**	27 255	**10 520**	14 287
Trade and other payables	17	**31 611**	25 312	**8 934**	12 716
Provisions	18	**179**	166	**111**	116
Taxation		**1 996**	1 777	**1 475**	1 455
Total equity and liabilities		**602 753**	553 381	**482 730**	456 574

Sanlam Life Insurance Limited Group
Statement of comprehensive income
for the year ended 31 December 2015

R million	Note	Group 2015	Group 2014	Company 2015	Company 2014
Net income		**77 973**	87 072	**44 738**	58 097
Financial services income	19	**49 662**	45 828	**13 797**	12 804
Reinsurance premiums paid	20	**(6 811)**	(6 322)	**(880)**	(789)
Reinsurance commission received	21	**1 275**	1 125	**-**	2
Investment income	22	**23 881**	21 514	**17 798**	17 766
Investment surpluses	22	**12 003**	28 559	**14 023**	28 314
Finance cost - margin business	26	**(17)**	(17)	**-**	-
Change in fair value of external investors liability		**(2 020)**	(3 615)	**-**	-
Net insurance and investment contract benefits and claims		**(46 062)**	(56 403)	**(26 724)**	(38 295)
Long-term insurance contract benefits	23	**(15 090)**	(25 999)	**(9 248)**	(20 603)
Long-term investment contract benefits	23	**(20 266)**	(20 324)	**(18 244)**	(18 353)
Short-term insurance claims		**(14 206)**	(14 404)	**-**	-
Reinsurance claims received	21	**3 500**	4 324	**768**	661
Expenses		**(19 528)**	(17 663)	**(6 271)**	(5 692)
Sales remuneration		**(7 071)**	(6 248)	**(1 599)**	(1 413)
Administration costs	24	**(12 457)**	(11 415)	**(4 672)**	(4 279)
Impairments	39	**(163)**	(122)	**-**	-
Amortisation of intangibles		**(224)**	(88)	**(17)**	-
Net operating result		**11 996**	12 796	**11 726**	14 110
Equity-accounted earnings	25	**1 249**	1 420	**-**	-
Finance cost - other	26	**(530)**	(477)	**(181)**	(181)
Profit before tax		**12 715**	13 739	**11 545**	13 929
Taxation	27	**(3 587)**	(3 142)	**(1 731)**	(1 327)
Shareholders' fund		**(2 899)**	(2 733)	**(1 349)**	(1 223)
Policyholders' fund		**(688)**	(409)	**(382)**	(104)
Profit for the year		**9 128**	10 597	**9 814**	12 602
Other comprehensive income: to be recycled through profit or loss in subsequent periods					
Movement in foreign currency translation reserve		**2 887**	438	**-**	-
Movement in cashflow hedge reserve		**509**	-	**-**	-
Other comprehensive income: not to be recycled through profit or loss in subsequent periods					
Employee benefits re-measurement gain	31	**-**	144	**-**	144
Comprehensive income for the year		**12 524**	11 179	**9 814**	12 746
Allocation of comprehensive income:					
Profit for the year		**9 128**	10 597	**9 814**	12 602
Shareholders' fund		**7 642**	9 558	**9 814**	12 602
Non-controlling interest		**1 486**	1 039	**-**	-
Comprehensive income for the year		**12 524**	11 179	**9 814**	12 746
Shareholders' fund		**10 630**	10 108	**9 814**	12 746
Non-controlling interest		**1 894**	1 071	**-**	-

Sanlam Life Insurance Limited Group
Statement of changes in equity
for the year ended 31 December 2015

Group

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve	Foreign currency translation reserve	Retained earnings	Subtotal: equity holders	Consolidation reserve	Total: equity holders	Non-controlling interest	Total equity
Balance at 1 January 2014	1	4 999	(32)	5 931	400	28 847	40 146	(427)	**39 719**	3 569	**43 288**
Comprehensive income	-	-	-	-	406	9 702	10 108	-	**10 108**	1 071	**11 179**
Profit for the year	-	-	-	-	-	9 558	9 558	-	**9 558**	1 039	**10 597**
Other comprehensive income	-	-	-	-	406	144	550	-	**550**	32	**582**
Net disposal/(acquisition) of treasury shares [2]	-	-	10	-	-	(42)	(32)	-	**(32)**	(20)	**(52)**
Share-based payments	-	-	-	-	-	86	86	-	**86**	57	**143**
Transfer from non-distributable reserve	-	-	-	(47)	-	47	-	-	**-**	-	**-**
Transfer (from)/to consolidation reserve	-	-	-	-	-	31	31	(31)	**-**	-	**-**
Dividends paid [1]	-	-	-	-	-	(3 950)	(3 950)	-	**(3 950)**	(605)	**(4 555)**
Acquisitions, disposals and other movements in interests	-	-	-	-	-	69	69	(116)	**(47)**	1 059	**1 012**
Balance at 31 December 2014	**1**	**4 999**	**(22)**	**5 884**	**806**	**34 790**	**46 458**	**(574)**	**45 884**	**5 131**	**51 015**
Comprehensive income	-	-	-	-	2 516	8 114	10 630	-	**10 630**	1 894	**12 524**
Profit for the year	-	-	-	-	-	7 642	7 642	-	**7 642**	1 486	**9 128**
Other comprehensive income [3]	-	-	-	-	2 516	472	2 988	-	**2 988**	408	**3 396**
Net disposal/(acquisition) of treasury shares [2]	-	-	6	-	-	(26)	(20)	(4)	**(24)**	(16)	**(40)**
Share-based payments	-	-	-	-	-	87	87	-	**87**	57	**144**
Transfer to non-distributable reserve	-	-	-	24	-	(24)	-	-	**-**	-	**-**
Transfer (from)/to consolidation reserve	-	-	-	-	-	(161)	(161)	161	**-**	-	**-**
Dividends paid [1]	-	-	-	-	-	-	-	-	**-**	(862)	**(862)**
Acquisitions, disposals and other movements in interests	-	-	-	-	-	(233)	(233)	252	**19**	282	**301**
Balance at 31 December 2015	**1**	**4 999**	**(16)**	**5 908**	**3 322**	**42 547**	**56 761**	**(165)**	**56 596**	**6 486**	**63 082**

[1] No dividend was declared and paid in respect of the 2015 financial year (2014: R79 per share)

[2] Comprises movement in cost of shares held by subsidiaries and other consolidated funds.

[3] Other comprehensive income includes a cash flow hedging reserve of R707 million (R509 million net of tax) in respect of the cumulative fair value movements on the hedging instruments designated for the funding of the acquisition of interests in Saham Finances, Shriram Life Insurance, Shriram General Insurance as well as an additional contribution to Shriram Capital.

Company

R million	Share capital	Share premium	Non-distributable reserve	Retained earnings	Total: equity holders	Non-controlling interest	Total equity
Balance at 1 January 2014	**1**	**4 999**	**5 429**	**48 931**	**59 360**	**-**	**59 360**
Comprehensive income	-	-	-	12 746	**12 746**	-	**12 746**
Profit for the year	-	-	-	12 602	**12 602**	-	**12 602**
Other comprehensive income: Employee benefits re-measurement gain	-	-	-	144	**144**	-	**144**
Dividends paid [1]	-	-	-	(3 950)	**(3 950)**	-	**(3 950)**
Balance at 31 December 2014	**1**	**4 999**	**5 429**	**57 727**	**68 156**	**-**	**68 156**
Comprehensive income	-	-	-	9 814	**9 814**	-	**9 814**
Profit for the year	-	-	-	9 814	**9 814**	-	**9 814**
Other comprehensive income: Employee benefits re-measurement gain	-	-	-	-	**-**	-	**-**
Dividends paid [1]	-	-	-	-	**-**	-	**-**
Balance at 31 December 2015	**1**	**4 999**	**5 429**	**67 541**	**77 970**	**-**	**77 970**

[1] No dividend was declared and paid in respect of the 2015 financial year (2014: R79 per share).

Sanlam Life Insurance Limited Group
Cash flow statement

for the year ended 31 December 2015

R million	**Note**	**Group 2015**	**Group 2014**	**Company 2015**	**Company 2014**
Cash flow from operating activities		**18 592**	34 345	**9 955**	18 145
Cash (utilised)/generated in operations	35.1	**754**	21 859	**(5 212)**	6 931
Interest and preference share dividends received		**14 313**	12 968	**8 804**	8 070
Interest paid		**(547)**	(494)	**(181)**	(181)
Dividends received		**8 550**	7 319	**8 313**	8 831
Dividends paid		**(771)**	(4 464)	**-**	(3 950)
Taxation paid		**(3 707)**	(2 843)	**(1 769)**	(1 556)
Cash flow from investment activities		**(5 642)**	(28 925)	**(2 676)**	(15 845)
Net disposal/(acquisition) of investments		**(5 365)**	(28 377)	**(1 973)**	(16 015)
Acquisition of subsidiaries, associates and joint ventures	35.2	**(941)**	(1 345)	**(703)**	-
Disposal of subsidiaries, associates and joint ventures	35.3	**664**	797	**-**	170
Cash flow from financing activities		**(5)**	(160)	**(12)**	(12)
Movement in treasury shares		**(40)**	(52)	**-**	-
Term finance raised		**49**	-	**-**	-
Term finance repaid		**(14)**	(108)	**(12)**	(12)
Net increase in cash and cash equivalents		**12 945**	5 260	**7 267**	2 288
Net foreign exchange differences included in cash		**707**	-	**574**	-
Cash, deposits and similar securities at beginning of year		**35 495**	30 235	**10 700**	8 412
Cash, deposits and similar securities at end of year	35.4	**49 147**	35 495	**18 541**	10 700

Notes to the annual financial statements
for the year ended 31 December 2015

R million	Group 2015	Group 2014	Company 2015	Company 2014
1. EQUIPMENT				
Computer equipment	**515**	409	**127**	117
Cost	**1 526**	1 246	**557**	489
Accumulated depreciation and impairment	**(1 011)**	(837)	**(430)**	(372)
Furniture, equipment, vehicles and other	**313**	283	**116**	102
Cost	**948**	847	**317**	284
Accumulated depreciation and impairment	**(635)**	(564)	**(201)**	(182)
Equipment	**828**	692	**243**	219
Reconciliation of carrying amount				
Balance at beginning of year	**692**	563	**219**	237
Additions and expenditure capitalised	**379**	340	**118**	113
Disposals	**(13)**	(59)	**(3)**	(48)
Acquired through business combinations	**11**	42	**-**	-
Disposal of subsidiaries	**(22)**	-	**-**	-
Depreciation	**(244)**	(197)	**(91)**	(83)
Foreign currency translation differences	**25**	3	**-**	-
Balance at end of year	**828**	692	**243**	219
2. OWNER-OCCUPIED PROPERTIES				
Balance at beginning of the year	**1 074**	649	**528**	492
Additions and expenditure capitalised	**174**	56	**4**	56
Disposals	**-**	-	**-**	-
Acquired through business combinations	**-**	477	**-**	-
Transfer from/(to) investment properties	**11**	(111)	**2**	(20)
Foreign currency translation differences	**66**	3	**-**	-
Depeciation	**(19)**	-	**-**	-
Balance at end of year	**1 306**	1 074	**534**	528
3. GOODWILL				
Balance at beginning of year	**1 683**	1 516	**753**	753
Gross carrying amount	**1 829**	1 565	**753**	753
Accumulated impairment	**(146)**	(49)	**-**	-
Additions during the year	**118**	263	**-**	-
Impairments	**(158)**	(97)	**-**	-
Disposals	**(193)**	-	**-**	-
Foreign currency translation differences	**52**	1	**-**	-
Balance at end of year	**1 502**	1 683	**753**	753
Gross carrying amount	**1 727**	1 829	**753**	753
Accumulated impairment	**(225)**	(146)	**-**	-

Allocation of goodwill

	2015	2014
Life insurance	**358**	325
MCIS Insurance	**193**	177
Channel Life	**96**	96
Sanlam Developing Markets	**36**	36
Other	**33**	16
Other Sanlam businesses	**1 144**	1 358
Santam	**927**	1 162
Soras	**79**	57
Sanlam Investment Management	**32**	32
Other	**106**	107
Balance at end of year	**1 502**	1 683

The additions to goodwill during the year ended 31 December 2015 arose primarily from the acquisition of Gateway Insurance Company Limited.

The disposal of goodwill during the year ended 31 December 2015 arose from the sale of a controlling stake in Indwe by Santam Limited.

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount of goodwill has been determined based on the various businesses' valuations, as included in Group Equity Value plus a multiple of life insurance value of new business (representing the total value in use for entities at embedded value), less the consolidated net asset value of the respective businesses. Refer to page 162 for an analysis of Group Equity Value as well as page 207 for valuation assumptions used in the Sanlam annual report. R927 million of the Sanlam Life Group goodwill relates to Santam. The fair value of the investment in Santam of R12,9 billion at 31 December 2015 (based on its listed price) exceeded its net asset value, including goodwill, by approximately R7.8 billion indicating no required impairment of the goodwill allocated to Santam.

R million	Group 2015	Group 2014	Company 2015	Company 2014
4. VALUE OF BUSINESS ACQUIRED				
Balance at beginning of year	**1 321**	747	**-**	-
Additions during the year	**66**	8	**-**	-
Acquired through business combinations	**-**	641	**-**	-
Foreign currency translation differences	**59**	-	**-**	-
Disposals	**(85)**	-	**-**	-
Amortisation	**(164)**	(75)	**-**	-
Balance at end of year	**1 197**	1 321	**-**	-
Gross carrying amount	**1 836**	1 926	**-**	-
Accumulated amortisation and impairment	**(639)**	(605)	**-**	-
Allocation of value of business acquired				
Sanlam Developing Markets	**482**	589	**-**	-
Sanlam Emerging Markets	**652**	676	**-**	-
Other	**63**	56	**-**	-
Balance at end of year	**1 197**	1 321	**-**	**-**

The additions to value of business acquired relates primarily to the acquisition of an administrator's book of business by Safrican Insurance Company Limited.

The disposals relate primarily to the sale of a controlling stake in Indwe by Santam Limited.

Amortisation and impairment of value of business acquired

Value of business acquired is amortised to the statement of comprehensive income on a straight-line basis over the expected life of the intangible asset, currently 25 years for Sanlam Developing Markets, 15 years for Channel Life and 10 years for MCIS Insurance, the major businesses to which value of business aquired relates. For impairment testing purposes, the value of business acquired is allocated to cash-generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount has been determined based on the various businesses' contribution to Group Equity Value, less the related net asset value. There were no impairments of value of business acquired recognised during the year.

R million	Group 2015	Group 2014	Company 2015	Company 2014
5. DEFERRED ACQUISITION COSTS				
Balance at beginning of year	**3 039**	2 772	**2 561**	2 361
Acquisition costs capitalised	**566**	661	**425**	494
Expensed for the year	**(423)**	(394)	**(314)**	(294)
Balance at end of year	**3 182**	3 039	**2 672**	2 561
6. LONG-TERM REINSURANCE ASSETS				
Balance at beginning of year	**863**	723	**642**	532
Movement in reinsurers' share of insurance liabilities	**(1)**	140	**8**	110
Balance at end of year	**862**	863	**650**	642
Maturity analysis of long-term reinsurance assets				
Due within one year	**52**	58	**5**	3
Due within two to five years	**137**	156	**79**	75
Due after more than five years	**673**	649	**566**	564
Total long-term reinsurance assets	**862**	863	**650**	642

Amounts due from reinsurers in respect of claims incurred by the Group that are reinsured, are included in trade and other receivables (refer to note 10).

R million	Group 2015	Group 2014	Company 2015	Company 2014
7. INVESTMENTS				
7.1 Properties				
Properties comprise:				
Office buildings	**2 403**	2 421	**2 403**	2 375
Retail buildings	**2 743**	2 760	**2 743**	2 756
Industrial buildings	**699**	584	**699**	584
Undeveloped land	**8**	21	**-**	-
International properties (situated outside South Africa)	**1 513**	1 057	**-**	-
Other	**386**	330	**378**	405
Total properties	**7 752**	7 173	**6 223**	6 120
Less: straight-line rental adjustment	**(215)**	(214)	**(215)**	(214)
Total investment properties	**7 537**	6 959	**6 008**	5 906
Reconciliation of carrying amount of properties				
Properties - balance at beginning of year	**7 173**	6 692	**6 120**	5 491
Additions	**192**	103	**174**	661
Disposals	**(15)**	(113)	**-**	-
Transfer (to)/from owner occupied properties	**(11)**	111	**(2)**	20
Acquired through business combinations	**136**	304	-	-
Foreign currency translation differences	**160**	21	**-**	-
Investment surpluses	**117**	55	**(69)**	(52)
Properties - balance at end of year	**7 752**	7 173	**6 223**	6 120
Reconciliation of straight-line rental adjustment				
Straight-line rental adjustment - balance at beginning of year	**214**	242	**214**	242
Disposals	**-**	(7)	**-**	(7)
Movement for the year included in the statement of comprehensive income	**1**	(21)	**1**	(21)
Straight-line rental adjustment - balance at end of year	**215**	214	**215**	214

R million	Group 2015	Group 2014	Company 2015	Company 2014
7. INVESTMENTS (continued)				
7.1 Properties				
Contractual future minimum lease payments receivable under non-cancellable operating leases:				
Within one year	**476**	426	**471**	423
Within two to five years	**1 130**	906	**1 121**	904
After more than five years	**236**	338	**230**	338
Future minimum lease payments	**1 842**	1 670	**1 822**	1 665

Group

R million	2015	2014
7.2 Equity-accounted investments		
Investments in associated companies	**14 248**	10 646
Shriram Capital	**6 425**	4 664
Shriram Transport Finance Company	**1 279**	984
Letshego	**1 784**	1 523
Pacific and Orient	**1 043**	1 005
Capricorn Invesment Holdings	**920**	844
Afrocentric	**703**	-
Other associated companies	**2 094**	1 626
Investments in joint ventures	**871**	626
Sanlam Personal Loans	**739**	626
Other joint ventures	**132**	-
Total equity-accounted investments	**15 119**	11 272

Group

Details of material associated companies

R million	Shriram Capital [1] 2015	Shriram Capital [1] 2014	Shriram Transport Finance Company [1] 2015	Shriram Transport Finance Company [1] 2014
Carrying value of interest - equity method	**6 425**	4 664	**1 279**	984
Fair value of interest - based on internal valuation	**6 883**	4 992	**1 406**	1 078
Fair value of interest - based on quoted price for listed businesses	**7 356**	6 582	**1 365**	1 371
Effective interest in issued share capital [2]	**26%**	26%	**3%**	3%
Summarised financial information:				
Revenue	**6 515**	5 588	**18 484**	15 998
Post-tax profit/(loss) from continuing operations	**1 730**	1 653	**1 541**	2 307
Total comprehensive income	**1 730**	1 653	**1 541**	2 307
Assets and liabilities				
Non-current assets	**36 130**	24 722	**90 558**	54 633
Current assets	**6 780**	5 659	**61 313**	50 541
Non-current liabilities	**(4 558)**	(3 245)	**(82 202)**	(56 243)
Current liabilities	**(12 921)**	(8 670)	**(46 961)**	(32 247)
Net asset value	**25 431**	18 466	**22 708**	16 684
Non-controlling interest	**9 362**	6 851	**-**	-
Shareholders' equity	**16 069**	11 615	**22 708**	16 684
Calculated carrying value	**5 921**	4 283	**677**	497
Goodwill recoginsed in the carrying value of associate	**504**	381	**602**	487
Carrying value	**6 425**	4 664	**1 279**	984
Dividends received	**65**	-	**14**	-

[1] Shriram Capital has business operations (credit, life and general insurance) mainly in India. Earnings for 2015 have been accounted for the period 1 October 2014 to 30 September 2015. The Group also holds a 2,98% direct interest in Shriram Transport Finance Company (associated company of Shriram Capital).

[2] The effective interest relates to the holding in Shriram Capital through Shriram Financial Ventures (Chennai) Limited. The Group has a 36,85% interest in Shriram Financial Ventures (Chennai) Limited.

7. INVESTMENTS (continued)

7.2 Equity-accounted investments (continued)

R million	Letshego [(1)] 2015	Letshego 2014	Afrocentric [(2)] 2015
Carrying value of interest - equity method	**1 784**	1 523	**703**
Fair value of interest - based on internal valuation	**1 921**	1 650	**703**
Fair value of interest - based on quoted price for listed businesses	**2 063**	1 661	**-**
Interest in issued share capital - Shareholders fund	**23%**	23%	**29%**
Summarised financial information:			
Revenue	**2 229**	1 636	**-**
Post-tax profit/(loss) from continuing operations	**967**	802	**-**
Other comprehensive income [(5)]	**(349)**	-	**-**
Assets and liabilities			
Non-current assets	**318**	181	**1 676**
Current assets	**9 834**	7 205	**703**
Non-current liabilities	**(3 677)**	(1 946)	**(106)**
Current liabilities	**(545)**	(510)	**(376)**
Net asset value	**5 930**	4 930	**1 897**
Non-controlling interest	**287**	184	**60**
Shareholders' equity	**5 643**	4 746	**1 837**
Calculated carrying value	**1 307**	1 104	**527**
Goodwill recognised in the carrying value of associate	**477**	419	**176**
	1 784	1 523	**703**
Dividends received	**100**	67	**-**

R million	Pacific & Orient [(3)] 2015	Pacific & Orient 2014	Capricorn Investment Holdings [(4)] 2015	Capricorn Investment Holdings 2014
Carrying value of interest - equity method	**1 043**	1 005	**920**	844
Fair value of interest - based on internal valuation	**1 210**	1 105	**964**	861
Fair value of interest - based on quoted price for listed businesses	**-**	-	**1 169**	949
Interest in issued share capital - Shareholders fund	**49%**	49%	**23%**	23%
Summarised financial information:				
Revenue	**1 254**	1 132	**3 091**	2 506
Post-tax profit / (loss) from continuing operations	**67**	198	**822**	667
Other comprehensive income [(5)]	**-**	-	**34**	-
Assets and liabilities				
Non-current assets	**3 695**	3 377	**25 432**	26 804
Current assets	**137**	279	**12 496**	4 523
Non-current liabilities	**-**	-	**(5 632)**	(4 741)
Current liabilities	**(2 974)**	(2 761)	**(27 635)**	(22 577)
Net asset value	**858**	895	**4 661**	4 009
Non-controlling interest	**-**	-	**1 940**	1 621
Shareholders' equity	**858**	895	**2 721**	2 388
Calculated carrying value	**421**	439	**622**	546
Goodwill recognised in the carrying value of associate	**622**	566	**298**	298
	1 043	1 005	**920**	844
Dividends received	**77**	77	**-**	-

Details of immaterial associated companies:

R million	2015	2014
Post-tax profit / (loss) from continuing operations	**315**	377
Total comprehensive income	**315**	377

[(1)] The Group holds a 23,4% interest in Letshego, a listed retail credit business in Botswana.

[(2)] The Group acquired a 28.7% interest in ACT Healthcare Assets Pty Ltd, a health administration and health risk management company, with an effective date of 31 December 2015. The summarised information is provisional.

[(3)] The Group holds a 49% interest in Pacific & Orient Insurance Co Berhad, a niche general insurance business in Malaysia.

[(4)] The Group holds a 22,85% interest in Capricorn Investment Holdings, an investment company in Namibia.

[(5)] Other comprehensive income relates to foreign currency translation differences within these associates and are included in the foreign currency translation reserve in the Group statement of comprehensive income.

7. INVESTMENTS (continued)

7.2 Equity-accounted investments (continued)

Details of material joint ventures

The Group holds an interest in the following material jointly controlled entities, which are accounted for on an equity-accounted basis:

R million	Sanlam Personal Loans [1] 2015	2014
Carrying value of interest - equity method	**739**	626
Fair value of interest - based on internal valuation	**1 053**	991
Effective interest in issued share capital: Class A	**70%**	70%
Summarised financial information:		
Non-current assets	**3 059**	2 905
Current assets	**1 013**	972
Cash and cash equivalents	**70**	69
Other current assets	**943**	903
Non-current liabilities		
Long-term borrowings	**(1 613)**	(1 712)
Current liabilities	**(1 388)**	(1 257)
Trade and other payables	**(27)**	(31)
Short-term borrowings	**(1 355)**	(1 212)
Taxation payable	**(6)**	(14)
Non-controling interest	**(3)**	3
Net asset value attributable to class B shares	**(12)**	(17)
Total equity	**1 056**	894
Calculated carry value	**739**	626
Revenue	**128**	130
Interest income	**942**	845
Interest expense	**(281)**	(250)
Taxation	**(104)**	(93)
Post-tax profit / (loss) from continuing operations	**231**	205
Other comprehensive income	**-**	-
Total comprehensive income	**231**	205

[1] The Group holds a 70% interest in Sanlam Personal Loans, a jointly controlled entity in the personal loan business in South Africa.

	Group 2015 R million	Group 2014 R million	Company 2015 R million	Company 2014 R million
7.3 Equities and similar securities comprise of:				
Listed on the JSE - at market value	**73 314**	79 709	**69 192**	74 254
Unlisted - at directors' valuation	**1 149**	876	**1 226**	914
Offshore equity investments	**5 549**	5 344	**513**	476
Listed - at market value	**5 218**	4 606	**513**	476
Unlisted - at directors' valuation	**331**	738	**-**	-
Equities held by consolidated investment funds	**98 184**	90 330	**-**	-
Total equities and similar securities	**178 196**	176 259	**70 931**	75 644

Equities and similar securities are designated as fair value through profit and loss.

7. **INVESTMENTS (continued)**

7.3 Equities and similar securities (continued)

Shares held in ultimate holding company - Sanlam Ltd

	Group		Company	
R million	**2015**	**2014**	**2015**	**2014**
Shareholders				
Number of shares (thousand)	**117 513**	117 079	**117 508**	117 075
Fair value (R million)	**7 114**	8 196	**7 114**	8 195
Policyholders				
Number of shares (thousand)	**27 708**	18 788	**20 361**	13 748
Fair value (R million)	**1 677**	1 315	**1 233**	962

	Company	
R million	**2015**	**2014**
7.4 Investments in subsidiaries, joint ventures and associates		
Investments in subsidiaries	**76 378**	72 584
Equity holding	**75 734**	71 988
Loans to subsidiaries	**644**	596
Investments in joint ventures	**1 119**	991
Sanlam Personal Loans	**1 053**	991
Indwe Broker Holdings (Pty) Ltd	**66**	-
Investments in associates	**2 064**	**1 373**
Shriram Transport Finance Company Ltd	**1 357**	1 371
IFA-net Independent Distribution Services (Pty) Ltd	**4**	2
Afrocentric Health Limited	**703**	-
Total investments in subsidiaries, joint ventures and associates	**79 561**	74 948
Loans from subsidiaries	**(30 406)**	(29 723)

Refer to page 80 for details of principal subsidiaries.

Valuation methodology for non-listed strategic investments held

The main assumptions applied in the primary valuation for the investments are presented below. The sensitivity analysis are based on the following changes in assumptions:

	Change in assumption
	2 015
Risk discount rate (RDR)	1,0
Perpetuity growth rate (PGR)	1,0

2015	**Weighted average assumption %**	**Base value R million**	**Decrease in assumption R million**	**Increase in assumption R million**
Discounted cash flows	RDR = 16,6%	21 468	23 821	19 569
Perpetuity growth rate	PGR = 2,5 - 5%	21 468	20 579	22 566

The approach for the calculation of the sensitivity analysis for non-listed strategic investments was updated in the current year. All businesses previously valued on a price to Assets under Management (AuM) basis were changed to a Discounted Cash Flow (DCF) basis with effect from 2015. The impact of the changes was not material.

Refer to note 40 for a sensitivity analysis on the full balance of level 3 investments in subsidiaries.

7.5 Investments other than equities and similar securities, equity-accounted investments and properties

Group

R million	**Designated as at fair value through profit or loss**	**Held for trading at fair value**	**Loans and receivables at amortised cost** [1]	**Total**
31 December 2015				
Interest bearing investments	**159 029**	**-**	**1 224**	**160 253**
Government interest bearing investments	**72 401**	**-**	**-**	**72 401**
Corporate interest bearing investments	**81 965**	**-**	**-**	**81 965**
Other interest bearing investments	**4 663**	**-**	**1 224**	**5 887**
Structured transactions	**13 876**	**303**	**-**	**14 179**
Investment funds	**134 281**	**-**	**-**	**134 281**
Cash, deposits and similar securities	**35 148**	**-**	**-**	**35 148**
	342 334	**303**	**1 224**	**343 861**

7. INVESTMENTS (continued)

7.5 Investments other than equities and similar securities, equity-accounted investments and properties (continued)

Group

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost [1]	Total
31 December 2014				
Interest bearing investments	156 459	-	1 168	157 627
Government interest bearing investments	73 397	-	-	73 397
Corporate interest bearing investments	79 158	-	2	79 160
Other interest bearing investments	3 904	-	1 166	5 070
Structured transactions	11 947	401	-	12 348
Investment funds	116 666	-	-	116 666
Cash, deposits and similar securities	23 405	-	1	23 406
	308 477	401	1 169	310 047

[1] The estimated fair value of investments valued at amortised cost amounts to R1 224 million (2014: R1 169 million). These are classified as level 3 instruments and the valuation is based on discounted cash flows.

Company

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost	Total
31 December 2015				
Interest bearing investments	**88 977**	**-**	**-**	**88 977**
Government interest bearing investments	**44 229**	**-**	**-**	**44 229**
Corporate interest bearing investments	**40 874**	**-**	**-**	**40 874**
Other interest bearing investments	**3 874**	**-**	**-**	**3 874**
Structured transactions	**10 705**	**341**	**-**	**11 046**
Investment funds	**194 781**	-	-	**194 781**
Cash, deposits and similar securities	**15 351**	-	-	**15 351**
	309 814	**341**	**-**	**310 155**
31 December 2014				
Interest bearing investments	96 692	**-**	200	96 892
Government interest bearing investments	50 947	**-**	-	50 947
Corporate interest bearing investments	42 516	**-**	-	42 516
Other interest bearing investments	3 229	**-**	200	3 429
Structured transactions	9 169	401	-	9 570
Investment funds	169 622	-	-	169 622
Cash, deposits and similar securities	10 053	-	-	10 053
	285 536	401	200	286 137

Maturity analysis of:

Interest bearing investments, Structured transactions, Investment funds and Cash, deposits and similar securities as at:

Group

R million	<1 year	1-5 years	>5 years	On demand	Total
31 December 2015					
Interest bearing investments	**11 888**	**42 972**	**71 208**	**34 185**	**160 253**
Government interest bearing investments	**477**	**5 401**	**55 266**	**11 257**	**72 401**
Corporate interest bearing investments	**11 087**	**35 519**	**13 748**	**21 611**	**81 965**
Other interest bearing investments	**324**	**2 052**	**2 194**	**1 317**	**5 887**
Structured transactions	**4 977**	**4 771**	**1 859**	**2 572**	**14 179**
Investment funds	**-**	**-**	**-**	**134 281**	**134 281**
Cash, deposits and similar securities	**18 209**	**7 174**	**205**	**9 560**	**35 148**
Total investments other than equities and similar securities, equity-accounted investments and properties	**35 074**	**54 917**	**73 272**	**180 598**	**343 861**
31 December 2014					
Interest bearing investments	16 676	40 543	70 911	29 497	157 627
Government interest bearing investments	1 034	5 734	57 776	8 853	73 397
Corporate interest bearing investments	15 476	32 943	11 353	19 388	79 160
Other interest bearing investments	166	1 866	1 782	1 256	5 070
Structured transactions	2 970	4 373	2 020	2 985	12 348
Investment funds	-	-	-	116 666	116 666
Cash, deposits and similar securities	10 314	4 884	182	8 026	23 406
Total investments other than equities and similar securities, equity-accounted investments and properties	29 960	49 800	73 113	157 174	310 047

7. INVESTMENTS (continued)

7.5 Investments other than equities and similar securities, equity-accounted investments and properties (continued)

Company R million	<1 year	1-5 years	>5 years	On demand	Total
31 December 2015					
Interest bearing investments	**7 746**	**30 216**	**49 921**	**1 094**	**88 977**
Government interest bearing investments	**168**	**1 347**	**42 714**	**-**	**44 229**
Corporate interest bearing investments	**7 364**	**27 139**	**5 433**	**938**	**40 874**
Other interest bearing investments	**214**	**1 730**	**1 774**	**156**	**3 874**
Structured transactions	**4 220**	**4 113**	**1 420**	**1 293**	**11 046**
Investment funds	**-**	**-**	**-**	**194 781**	**194 781**
Cash, deposits and similar securities	**11 991**	**3 155**	**205**	**-**	**15 351**
Total investments other than equities and similar securities, equity-accounted investments and properties	**23 957**	**37 484**	**51 546**	**197 168**	**310 155**
31 December 2014					
Interest bearing investments	12 656	25 438	57 714	1 084	96 892
Government interest bearing investments	435	1 535	48 977	-	50 947
Corporate interest bearing investments	12 107	22 192	7 336	881	42 516
Other interest bearing investments	114	1 711	1 401	203	3 429
Structured transactions	2 396	3 473	1 929	1 772	9 570
Investment funds	-	-	-	169 622	169 622
Cash, deposits and similar securities	7 808	2 064	181	-	10 053
Total investments other than equities and similar securities, equity-accounted investments and properties	22 860	30 975	59 824	172 478	286 137

The amount of change, during the period and cumulatively, in the fair value of the loans and receivables that is attributable to changes in the credit risk of the financial asset is determined as the change triggered by factors other than changes in benchmark interest rates. The impact of changes in credit risk for 2015 and 2014 was not material.

7.6 Use of valuation techniques to determine fair value

Refer to note 40 for additional disclosures.

8. DEFERRED TAX

Reconciliation of the deferred tax balances: Group R million	Group Income Tax	Group Capital Gains Tax	Company Income Tax	Company Capital Gains Tax
Balance at 1 January 2014	194	(1 969)	-	(1 613)
Temporary differences credited/(charged) to the statement of comprehensive income	(50)	(129)	-	(80)
Accruals and provisions	76	-	-	-
Tax losses and credits	(23)	-	-	-
Net unrealised investment surpluses on shareholders' fund	(17)	(136)	-	(89)
Net unrealised investment surpluses on policyholders' fund	5	9	-	9
Other temporary differences	(91)	(2)	-	-
Acquisition of subsidiaries	(123)	(11)	-	-
Foreign currency translation differences	(7)	-	-	-
Disposal of subsidiaries	(3)	-	-	-
Balance at 31 December 2014	**11**	**(2 109)**	**-**	**(1 693)**
Temporary differences credited/(charged) to the statement of comprehensive income	**137**	**256**	**-**	**58**
Accruals and provisions	**21**	**(6)**	**-**	**-**
Tax losses and credits	**(35)**	**-**	**-**	**-**
Net unrealised investment surpluses on shareholders' fund	**97**	**250**	**-**	**52**
Net unrealised investment surpluses on policyholders' fund	**-**	**8**	**-**	**6**
Other temporary differences	**54**	**4**	**-**	**-**
Acquisition of subsidiaries	**(1)**	**-**	**-**	**-**
Foreign currency translation differences	**(74)**	**11**	**-**	**-**
Disposal of subsidiaries	**5**	**-**	**-**	**-**
Balance at 31 December 2015	**78**	**(1 842)**	**-**	**(1 635)**

Analysis of deferred tax balances at 31 December 2015

Accruals and provisions	**185**	**-**	**-**	**-**
Tax losses and credits	**88**	**-**	**-**	**-**
Unrealised gains/losses on shareholders' fund	**(146)**	**(1 045)**	**-**	**(824)**
Unrealised gains/losses on policyholders' fund	**6**	**(815)**	**-**	**(817)**
Other temporary differences	**(55)**	**18**	**-**	**6**
	78	**(1 842)**	**-**	**(1 635)**

Analysis of deferred tax balances at 31 December 2014

Accruals and provisions	173	5	-	-
Tax losses and credits	116	-	-	-
Unrealised gains/losses on shareholders' fund	(182)	(1 307)	-	(876)
Unrealised gains/losses on shareholders' fund	5	(821)	-	(823)
Other temporary differences	(101)	14	-	6
	11	(2 109)	-	(1 693)

	2015	2014	**2015**	2014
Total deferred tax asset recognised	**240**	217	**-**	-
Total deferred tax liability recognised	**(2 004)**	(2 315)	**(1 635)**	(1 693)
Total net deferred tax	**(1 764)**	(2 098)	**(1 635)**	(1 693)

R million	GROUP 2015	 2014
9. GENERAL INSURANCE TECHNICAL PROVISIONS		
General insurance technical provisions	**13 523**	12 592
Outstanding claims	**8 356**	7 993
Provision for unearned premiums	**4 885**	4 367
Deferred reinsurance acquisition revenue	**282**	232
Less: General insurance technical assets		
Reinsurers' share of technical provisions	**4 251**	3 964
Outstanding claims	**2 562**	2 487
Unearned premiums	**1 154**	1 027
Deferred acquisition cost	**535**	450
Net general insurance technical provisions	**9 272**	8 628

Analysis of movement in short-term insurance technical provisions
Group

R million	2015 Gross	 Reinsurance	 Net	2014 Gross	 Reinsurance	 Net
Outstanding claims						
Balance at beginning of year	**7 993**	**(2 487)**	**5 506**	7 119	(1 521)	5 598
Cash paid for claims settled in the year	**(14 153)**	**2 573**	**(11 580)**	(13 630)	2 516	(11 114)
Increase in liabilities	**14 516**	**(2 648)**	**11 868**	14 504	(3 482)	11 022
Balance at end of year	**8 356**	**(2 562)**	**5 794**	7 993	(2 487)	5 506
Unearned premiums						
Balance at beginning of year	**4 367**	**(1 027)**	**3 340**	3 740	(823)	2 917
Net increase/(release) in the period	**518**	**(127)**	**391**	627	(204)	423
Balance at end of year	**4 885**	**(1 154)**	**3 731**	4 367	(1 027)	3 340

R million	Group 2015	Group 2014	Company 2015	Company 2014
10. TRADE AND OTHER RECEIVABLES				
Trading account	**12 706**	3 576	**658**	-
Premiums receivable	**5 330**	5 485	**2 409**	2 650
Accounts receivable	**4 755**	4 725	**676**	983
Accrued investment income	**3 011**	2 700	**2 245**	2 144
Amounts due from holding company and fellow subsidiaries	**2 889**	3 952	**1 465**	1 746
Amounts due from reinsurers	**772**	793	**192**	518
Total trade and other receivables	**29 463**	21 231	**7 645**	8 041
Classification of trade and other receivables:				
Held for trading at fair value	**12 706**	3 576	**658**	-
Loans and receivables at amortised cost	**16 757**	17 655	**6 987**	8 041
Total trade and other receivables	**29 463**	21 231	**7 645**	8 041

No trade and other receivables of the Company were pledged as collateral.
All trade and other receivables are receivable within one year except for the trading account of R4 115 million (2014: R1 074 million) that is on demand. The estimated fair value of receivables at amortised cost approximate the carrying value. This valuation is based on a discounted cash flow basis and is classified as level 3.

R million	Group 2015	Group 2014	Company 2015	Company 2014
Maturity analysis of trading account - fair value				
Due within one year	**8 591**	2 502	**-**	-
Due within two to five years	**-**	-	**-**	-
Due after five years	**-**	-	**-**	-
On demand	**4 115**	1 074	**658**	-
Total trading account	**12 706**	3 576	**658**	-
Maturity analysis of trading account - undiscounted				
Due within one year	**8 591**	2 685	**-**	-
Due within two to five years	**-**	-	**-**	-
Due after five years	**-**	-	**-**	-
On demand	**4 115**	1 074	**658**	-
Total trading account	**12 706**	3 759	**658**	-

R million	Group and Company 2015	Group and Company 2014
11. SHARE CAPITAL AND PREMIUM		
Authorised share capital		
100 million ordinary shares of 1 cent each	**1**	1
Issued share capital and share premium		
50 million ordinary shares issued at:		
Nominal value of 1 cent per share	**1**	1
Share premium	**4 999**	4 999
Balance at end of year	**5 000**	5 000
Authorised and unissued shares		

Subject to the restrictions imposed by the Companies Act, the authorised and unissued shares are under the control of the directors until the forthcoming annual general meeting.

R million	Group 2015	Group 2014	Company 2015	Company 2014
12. OTHER RESERVES				
Non-distributable reserves	**5 908**	5 884	**5 429**	5 429
Foreign currency translation reserve	**3 322**	806	**-**	-
Consolidation reserve				
Policyholder fund investments in consolidated subsidiaries	**(165)**	(574)	**-**	-
Total reserves other than retained earnings	**9 065**	6 116	**5 429**	5 429

The non-distributable reserve consists of the pre-acquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998 and the regulatory non-distributable reserves of the Group's Botswana operations of R334 million (2014: R328 million) as well as the Group's Kenya operations of R145 million (2014: R127 million).

13. CONTINGENCY RESERVES

Contingency reserves in respect of general insurance business of R31 million are included in the Group's shareholders' reserves (2014: R26 million).

R million	Group 2015	Group 2014
14. NON-CONTROLLING INTEREST		
Santam (1)	**3 138**	2 174
Sanlam Developing Markets	**59**	59
Sanlam Emerging Markets	**3 009**	2 652
Botswana Insurance Holding	**1 612**	1 286
MCIS Insurance	**940**	1 033
Other	**457**	333
Sanlam Namibia Holdings	**241**	207
Other	**39**	39
Total non-controlling interest	**6 486**	5 131

For additional financial information for subsidiaries with significant non-controlling interest refer to page 81.

(1) 2014 includes the Santam BEE SPV consolidated on a Sanlam Life Group Level.

R million	2015 Total	2015 Insurance contracts	2015 Investment contracts	2014 Total	2014 Insurance contracts	2014 Investment contracts
15. LONG-TERM POLICY LIABILITIES						
15.1 Analysis of movement in policy liabilities						
Group						
Income	**96 890**	**33 340**	**63 550**	107 910	50 388	57 522
Premium income (note 15.2)	**68 968**	**25 684**	**43 284**	68 958	31 760	37 198
Investment return after tax (note 23)	**27 922**	**7 656**	**20 266**	38 952	18 628	20 324
Outflow	**(75 190)**	**(39 816)**	**(35 374)**	(63 254)	(34 697)	(28 557)
Policy benefits (note 15.3)	**(47 799)**	**(19 884)**	**(27 915)**	(38 603)	(17 488)	(21 115)
Retirement fund terminations	**(4 028)**	**-**	**(4 028)**	(3 983)	-	(3 983)
Transfer to segregated assets	**-**	**-**	**-**	-	-	-
Fees, risk premiums and other payments to shareholders' fund	**(23 363)**	**(19 932)**	**(3 431)**	(20 668)	(17 209)	(3 459)
Movement in policy loans	**(159)**	**(9)**	**(150)**	(65)	12	(77)
Net movement for the year	**21 541**	**(6 485)**	**28 026**	44 591	15 703	28 888
Foreign currency translation differences	**3 492**	**2 950**	**542**	341	247	94
Liabilities acquired through business combinations	**8**	**8**	**-**	12 022	11 937	85
Balance at beginning of the year	**403 290**	**181 881**	**221 409**	346 336	153 994	192 342
Balance at end of the year	**428 331**	**178 354**	**249 977**	403 290	181 881	221 409
Company						
Income	**71 127**	**17 459**	**53 668**	85 433	36 826	48 607
Premium income (note 15.2)	**47 883**	**12 459**	**35 424**	50 616	20 362	30 254
Investment return after tax (note 23)	**23 244**	**5 000**	**18 244**	34 817	16 464	18 353
Outflow	**(52 970)**	**(25 845)**	**(27 125)**	(47 075)	(23 355)	(23 720)
Policy benefits (note 15.3)	**(35 712)**	**(15 318)**	**(20 394)**	(31 208)	(14 244)	(16 964)
Retirement fund terminations	**(3 992)**	**-**	**(3 992)**	(3 913)	-	(3 913)
Fees, risk premiums and other payments to shareholders' fund	**(13 266)**	**(10 527)**	**(2 739)**	(11 954)	(9 111)	(2 843)
Movement in policy loans	**(2)**	**-**	**(2)**	5	-	5
Net movement for the year	**18 155**	**(8 386)**	**26 541**	38 363	13 471	24 892
Balance at beginning of the year	**340 059**	**148 804**	**191 255**	301 696	135 333	166 363
Balance at end of the year	**358 214**	**140 418**	**217 796**	340 059	148 804	191 255

R million	Group 2015	Group 2014	Company 2015	Company 2014
15.2 Analysis of premium income				
Individual business	**51 498**	45 898	**34 247**	30 169
Recurring	**23 562**	22 173	**13 662**	13 306
Single	**25 405**	21 493	**18 429**	14 933
Continuations	**2 531**	2 232	**2 156**	1 930
Employee benefits business	**17 470**	23 060	**13 636**	20 447
Recurring	**8 653**	7 949	**7 559**	7 047
Single	**8 817**	15 111	**6 077**	13 400
Total premium income	**68 968**	68 958	**47 883**	50 616

R million	Group 2015	Group 2014	Company 2015	Company 2014
15.3 Analysis of long-term policy benefits				
Individual business	**35 999**	31 992	**28 519**	25 408
Maturity benefits	**19 892**	17 668	**16 068**	14 131
Surrenders	**5 946**	5 489	**4 038**	3 763
Life and term annuities	**8 166**	7 269	**7 027**	6 319
Death and disability benefits [(1)]	**1 833**	1 463	**1 384**	1 193
Cash bonuses [(1)]	**162**	103	**2**	2
Employee benefits business	**11 800**	6 611	**7 193**	5 800
Withdrawal benefits	**7 602**	3 077	**3 172**	2 352
Pensions	**2 062**	1 495	**1 893**	1 425
Lump-sum retirement benefits	**1 474**	1 330	**1 474**	1 330
Taxation paid on behalf of certain retirement funds	**8**	16	**-**	-
Death and disability benefits [(1)]	**654**	693	**654**	693
Total long-term policy benefits	**47 799**	38 603	**35 712**	31 208

[(1)] *Excludes death and disability benefits and cash bonuses underwritten by the shareholders (refer to note 23).*

R million	Group 2015	Group 2014	Company 2015	Company 2014
15.4 Composition of policy liabilities				
Individual business	**340 067**	320 372	**282 023**	265 944
Linked and market-related liabilities	**225 406**	203 388	**199 104**	177 237
Smoothed bonus business	**61 083**	63 992	**47 842**	51 704
Guaranteed business	**6 831**	6 822	**1 877**	1 780
Annuities - guaranteed	**29 245**	28 496	**20 113**	21 659
Annuities - participating	**2 320**	2 119	**54**	65
Non-participating risk business	**11 592**	12 507	**9 501**	10 516
Other non-participating liabilities	**3 590**	3 048	**3 532**	2 983
Employee benefits business	**88 264**	82 918	**76 191**	74 115
Linked and market-related liabilities	**43 008**	36 972	**34 581**	31 324
Smoothed bonus business	**15 670**	15 989	**15 211**	15 603
Guaranteed business	**222**	212	**-**	-
Annuities - guaranteed	**16 024**	16 204	**14 731**	15 131
Annuities - participating	**7 179**	7 655	**7 165**	7 642
Non-participating risk business	**5 982**	5 746	**4 503**	4 415
Other non-participating liabilities	**179**	140	**-**	-
Total policy liabilities	**428 331**	403 290	**358 214**	340 059

15. LONG-TERM POLICY LIABILITIES (continued)

15.5 Maturity analysis of investment policy contracts

Group

R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2015					
Linked and market-related liabilities	**4 849**	**29 916**	**63 506**	**127 614**	**225 885**
Smoothed bonus business	**119**	**97**	**331**	**15 887**	**16 434**
Guaranteed business	**636**	**6 118**	**5**	**229**	**6 988**
Annuities - guaranteed	**46**	**87**	**11**	**23**	**167**
Non-participating risk business	**3**	**-**	**-**	**6**	**9**
Other non-participating liabilities	**-**	**-**	**-**	**494**	**494**
Total investment policies	**5 653**	**36 218**	**63 853**	**144 253**	**249 977**
2014					
Linked and market-related liabilities	2 962	26 254	58 147	109 795	197 158
Smoothed bonus business	120	87	367	16 309	16 883
Guaranteed business	402	6 347	5	212	6 966
Annuities - guaranteed	43	85	13	1	142
Non-participating risk business	4	-	-	5	9
Other non-participating liabilities	-	-	-	251	251
Total investment policies	3 531	32 773	58 532	126 573	221 409

Company

R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2015					
Linked and market-related	**2 997**	**14 435**	**62 083**	**119 774**	**199 289**
Smoothed bonus business	**116**	**96**	**329**	**15 430**	**15 971**
Guaranteed business	**577**	**1 295**	**5**	**-**	**1 877**
Annuities - guaranteed	**45**	**85**	**11**	**23**	**164**
Non-participating risk business	**-**	**-**	**-**	**1**	**1**
Other non-participating liabilities	**-**	**-**	**-**	**494**	**494**
Total investment policies	**3 735**	**15 911**	**62 428**	**135 722**	**217 796**
2014					
Linked and market-related	2 577	12 762	56 925	100 336	172 600
Smoothed bonus business	117	86	365	15 923	16 491
Guaranteed business	327	1 442	5	1	1 775
Annuities - guaranteed	42	83	13	-	138
Non-participating risk business	-	-	-	1	1
Other non-participating liabilities	-	-	-	250	250
Total investment policies	3 063	14 373	57 308	116 511	191 255

Investment policy contracts are classified as at fair value through profit or loss. Refer to note 40 for additional fair value disclosures.

15.6 Maturity analysis of insurance policy contracts

Group

R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2015					
Linked and market-related liabilities	**2 967**	**10 137**	**26 265**	**3 160**	**42 529**
Smoothed bonus business	**4 263**	**16 399**	**34 155**	**5 505**	**60 322**
Guaranteed business	**7**	**32**	**26**	**-**	**65**
Annuities - guaranteed	**33**	**325**	**701**	**44 041**	**45 100**
Annuities - participating	**1**	**-**	**1 686**	**7 812**	**9 499**
Non-participating risk business	**352**	**1 443**	**3 810**	**11 960**	**17 565**
Other non-participating liabilities	**125**	**13**	**81**	**3 055**	**3 274**
Total insurance policies	**7 748**	**28 349**	**66 724**	**75 533**	**178 354**
2014					
Linked and market-related liabilities	2 367	10 220	27 599	3 016	43 202
Smoothed bonus business	3 822	16 405	36 825	6 046	63 098
Guaranteed business	8	27	27	6	68
Annuities - guaranteed	25	238	509	43 786	44 558
Annuities - participating	-	-	1 493	8 281	9 774
Non-participating risk business	563	1 332	3 540	12 809	18 244
Other non-participating liabilities	55	6	62	2 814	2 937
Total insurance policies	6 840	28 228	70 055	76 758	181 881

Company

R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2015					
Linked and market-related	**2 295**	**8 322**	**21 371**	**2 408**	**34 396**
Smoothed bonus business	**3 312**	**12 973**	**26 560**	**4 236**	**47 081**
Guaranteed business	**-**	**-**	**-**	**-**	**-**
Annuities - guaranteed	**-**	**-**	**-**	**34 681**	**34 681**
Annuities - participating	**-**	**-**	**-**	**7 220**	**7 220**
Non-participating risk business	**32**	**444**	**2 596**	**10 930**	**14 002**
Other non-participating liabilities	**109**	**-**	**-**	**2 929**	**3 038**
Total insurance policies	**5 748**	**21 739**	**50 527**	**62 404**	**140 418**
2014					
Linked and market-related	2 006	8 383	23 184	2 389	35 962
Smoothed bonus business	2 920	13 452	29 824	4 620	50 816
Guaranteed business	-	-	-	6	6
Annuities - guaranteed	-	-	-	36 651	36 651
Annuities - participating	-	-	-	7 707	7 707
Non-participating risk business	25	414	2 652	11 838	14 929
Other non-participating liabilities	46	-	-	2 687	2 733
Total insurance policies	4 997	22 249	55 660	65 898	148 804

		Group		Company	
R million	**Note**	**2015**	**2014**	**2015**	**2014**
15.7 Policy liabilities include the following:					
Provision for HIV/Aids and other pandemics		**3 181**	3 475	**2 168**	2 296
Asset mismatch reserve		**3 165**	3 458	**2 944**	3 275

R million	Note	Group 2015	Group 2014	Company 2015	Company 2014
16. TERM FINANCE					
Term finance comprises:					
Interest-bearing liabilities held in respect of margin business	16.1	**300**	300	**-**	-
Other interest-bearing liabilities	16.2	**3 027**	3 076	**1 960**	2 040
		3 327	3 376	**1 960**	2 040
16.1 Interest-bearing liabilities held in respect of margin business					
Redeemable cumulative non-voting preference shares issued by subsidiary companies, with dividend terms that range between 5.7% and 6.0% (2014: 6% and 9.3%) or linked to prime interest rates. The preference shares have redemption dates up to December 2017.		**300**	300	-	-
Total term finance liabilities held in respect of margin business		**300**	300	**-**	-
16.2 Other interest-bearing liabilities:					
Unsecured subordinated bond, with interest payable at 8,70% and a final maturity date of 15 August 2023. The bond has a redemption call option at its nominal value of R1 160 million, which the Group can exercise on 15 August 2018.		**1 109**	1 157	**1 109**	1 157
Unsecured subordinated bond, with interest payable at 9,64% and a final maturity date of 15 August 2021. The bond has a redemption call option at its nominal value of R828 million, which the Group can exercise on 15 August 2016.		**829**	850	**829**	850
Unsecured subordinated notes, with interest payable at between 8,6% and 9,6% with a final maturity date of 15 September 2022. The notes have a redemption call option at their nominal value of R1 000 million, which the Group can exercise on 15 September 2017.		**998**	1 024	**-**	-
Other		**91**	45	**22**	33
Total other term finance liabilities		**3 027**	3 076	**1 960**	2 040
16.3 Maturity analysis of term finance - fair value					
Due within one year		**395**	315	**13**	14
Due within two to five years		**961**	1 043	**9**	19
Due after more than five years		**1 971**	2 018	**1 938**	2 007
Total term finance liabilities		**3 327**	3 376	**1 960**	2 040
Maturity analysis of term finance - undiscounted					
Due within one year		**431**	413	**13**	14
Due within two to five years		**1 131**	1 190	**12**	25
Due after more than five years		**3 244**	3 388	**3 207**	3 388
Total term finance liabilities		**4 806**	4 991	**3 232**	3 427
16.4 Classification of term finance liabilities					
At fair value through profit or loss	16.4.1	**2 969**	3 073	**1 959**	2 037
Valued at stock exchange prices		**2 937**	3 031	**1 938**	2 007
Based on internal valuation		**32**	42	**21**	30
Other financial liabilities	16.4.2	**358**	303	**1**	3
Total term finance liabilities		**3 327**	3 376	**1 960**	2 040
16.4.1 Term finance classified as at fair value through profit or loss					
Total designated as at fair value through profit or loss		**2 969**	3 073	**1 959**	2 037
Amount contractually payable at maturity		**2 988**	2 988	**1 988**	1 988
16.4.2 Term finance classified as other financial liabilities					
Estimated fair value of term finance liabilities measured at amortised cost		**358**	303	**1**	3
This valuation is based on discounted cash flows and is classified as level 3.					

R million	Note	Group 2015	Group 2014	Company 2015	Company 2014
17. TRADE AND OTHER PAYABLES					
Accounts payable		**8 815**	9 467	**3 199**	2 967
Policy benefits payable		**3 804**	3 650	**2 652**	2 744
Amounts due to holding company and fellow subsidiaries		**3 511**	8 125	**1 350**	5 063
Amounts due to reinsurers		**1 787**	1 063	**11**	41
Trading account		**11 584**	552	**-**	-
Claims incurred but not reported		**1 443**	1 622	**1 230**	1 285
Liability for share based payments		**623**	795	**492**	616
Operating lease creditor		**44**	38	**-**	-
Total trade and other payables		**31 611**	25 312	**8 934**	12 716
Classification of trade and other payables:					
Held for trading at fair value		**11 584**	552	**-**	-
Other financial liabilities at amortised cost		**17 917**	22 305	**7 212**	10 815
Non - financial instruments		**2 110**	2 455	**1 722**	1 901
Total trade and other payables		**31 611**	25 312	**8 934**	12 716

With the exception of the trading account and the liability for share based payments, trade and other payables are payable within one year. The trading account is open ended. In respect of the liability for share based payments, the amount outstanding is payable over five years, however weighted towards one to two years. The effect of discounting is considered immaterial. The estimated fair value of payables at amortised cost approximate fair value. This valuation is based on discounted cash flows and is classified as level 3.

R million	Claims	Other	Total
18. PROVISIONS			
Details of the different classes of provisions are as follows:			
Group			
Balance at 1 January 2014	98	64	162
Charged to income statement	-	9	9
Additional provisions	-	12	12
Unused amounts reversed	-	(3)	(3)
Utilised during the year	-	(5)	(5)
Balance at 31 December 2014	**98**	**68**	**166**
Charged to income statement	-	18	18
Additional provisions	-	23	23
Unused amounts reversed	-	(5)	(5)
Utilised during the year		(5)	(5)
Balance at 31 December 2015	**98**	**81**	**179**
Analysis of provisions			
Current	-	52	52
Non-current	98	29	127
Total provisions at 31 December 2015	**98**	**81**	**179**
Company			
Balance at 1 January 2014	98	17	115
Charged to income statement	-	3	3
Additional provisions	-	3	3
Unused amounts reversed	-	-	-
Utilised during the year	-	(2)	(2)
Balance at 31 December 2014	**98**	**18**	**116**
Charged to income statement	-	(2)	(2)
Additional provisions	-	-	-
Unused amounts reversed	-	(2)	(2)
Utilised during the year		(3)	(3)
Balance at 31 December 2015	**98**	**13**	**111**
Analysis of provisions			
Current	-	2	2
Non-current	98	11	109
Total provisions at 31 December 2015	**98**	**13**	**111**

Claims

The Group provides for claims that may arise as a result of past events, transactions or investments. Due to the nature of the provision, the timing of the expected cash outflows are uncertain.

Estimates are reviewed annually and adjusted as appropriate for new circumstances.

Additional information in respect of these claims cannot be provided, due to the potential prejudice that such disclosure may confer on the Group.

Other

Includes sundry provisions for possible outflows of resources from the Group arising from past events. The timing of settlement cannot reasonably be determined.

R million	Group 2015	Group 2014	Company 2015	Company 2014
19. FINANCIAL SERVICES INCOME				
Analysis per revenue source				
Long-term insurance	**23 756**	21 953	**13 797**	12 804
General insurance	**24 277**	22 330	**-**	-
Other financial services	**1 629**	1 545	**-**	-
Total financial services income	**49 662**	45 828	**13 797**	12 804
Analysis per revenue category				
Long-term insurance fee income	**23 756**	21 953	**13 797**	12 804
Investment management fees	**703**	720	**602**	590
Risk benefit charges and other fee income *	**23 053**	21 233	**13 195**	12 214
Short-term insurance premiums	**24 277**	22 330	**-**	-
Premiums receivable	**24 743**	22 860	**-**	-
Change in unearned premium provision	**(466)**	(530)	**-**	-
Other financial services fees and income	**1 561**	1 524	**-**	-
Trading profit	**68**	21	**-**	-
Total financial services income	**49 662**	45 828	**13 797**	12 804

* Includes risk benefit charges, administration services and other fees.

R million	Group 2015	Group 2014	Company 2015	Company 2014
20. REINSURANCE PREMIUMS PAID				
Long-term insurance	**1 396**	1 336	**880**	789
Short-term insurance	**5 415**	4 986	**-**	-
Premiums payable	**5 536**	5 105	**-**	-
Change in unearned premium provision	**(121)**	(119)	**-**	-
Total reinsurance premiums paid	**6 811**	6 322	**880**	789
21. REINSURANCE INCOME				
Reinsurance commission received				
Long-term insurance	**21**	6	**-**	2
Short-term insurance	**1 254**	1 119	**-**	-
Total reinsurance commission received	**1 275**	1 125	**-**	2
Reinsurance claims received				
Long-term insurance	**971**	874	**768**	661
Short-term insurance	**2 529**	3 450	**-**	-
Total reinsurance claims received	**3 500**	4 324	**768**	661
22. INVESTMENT RETURN				
Investment income				
Equities and similar securities	**8 550**	7 319	**5 771**	4 642
Dividends received from subsidiaries	**-**	-	**2 533**	4 189
Interest-bearing, preference shares and similar securities	**14 569**	13 401	**8 910**	8 285
Properties	**707**	756	**584**	650
Rental income - excluding contingent rental	**740**	776	**584**	652
Contingent rental income	**125**	127	**125**	104
Rental related expenses	**(158)**	(147)	**(125)**	(106)
Income from margin business [(1)]	**55**	38	**-**	-
Total investment income	**23 881**	**21 514**	**17 798**	17 766

[(1)] Refer to note 26 for finance cost incurred in respect of margin business.

R million	Group 2015	Group 2014	Company 2015	Company 2014
Interest income on financial assets not classified as at fair value through profit or loss	**87**	55	**87**	55
Investment surpluses				
Financial assets designated as at fair value through profit or loss [(1)]	**10 114**	27 969	**12 755**	27 872
Financial assets classified as held-for-trading	**1 330**	108	**1 331**	91
Investment properties	**117**	55	**(69)**	(52)
Profit on disposal of associated companies, subsidiaries and operations	**426**	124	**-**	170
Fair value adjustment - Deferred share plan	**16**	303	**6**	233
Total investment surpluses	**12 003**	28 559	**14 023**	28 314
Investment return includes:				
Foreign exchange gains	**10 172**	3 927	**9 800**	2 915

[(1)] Comparative information has been restated accordingly to exclude the fair value adjustment in respect of DSP.

R million	Group 2015	Group 2014	Company 2015	Company 2014
23. LONG-TERM INSURANCE AND INVESTMENT CONTRACT BENEFITS				
Insurance contracts				
Underwriting policy benefits	**7 434**	7 371	**4 248**	4 139
After tax investment return attributable to insurance contract liabilities (note 15)	**7 656**	18 628	**5 000**	16 464
Total long-term insurance contract benefits	**15 090**	25 999	**9 248**	20 603
Investment contracts				
After tax investment return attributable to investment contract liabilities (note 15)	**20 266**	20 324	**18 244**	18 353
Total long-term investment contract benefits	**20 266**	20 324	**18 244**	18 353
Analysis of underwriting policy benefits				
Individual insurance	**4 617**	4 604	**1 956**	1 894
Employee benefits	**2 817**	2 767	**2 292**	2 245
Total underwriting policy benefits	**7 434**	7 371	**4 248**	4 139

24. ADMINISTRATION COSTS INCLUDE:

Directors' remuneration

Non-executive directors' emoluments for the year ended 31 December 2015 (R'000)

Name	Directors' fees	Attendance and committees	Allowance	Fees from Group	Total
MMM Bakane-Tuoane	199	418	85	-	702
AD Botha	199	371	85	539	1 194
PR Bradshaw	199	482	85	1 428	2 194
CB Booth [(3)]	199	412	85	-	696
A Duggal [(1)]	96	71	41	-	208
MV Moosa	199	353	85	-	637
PT Motsepe	298	294	128	-	720
MP Mthethwa [(2)]	32	-	14	-	46
SA Nkosi	199	119	85	-	403
K Nondumo [(4)]	-	-	-	-	-
P de V Rademeyer	199	680	85	856	1 820
RV Simelane	199	257	85	-	541
DK Smith (Chairman)	1 673	-	717	-	2 390
CG Swanepoel	199	719	85	1 437	2 440
ZB Swanepoel	199	233	85	-	517
PL Zim	199	240	85	-	524
Total non-executive directors	**4 288**	**4 649**	**1 835**	**4 260**	**15 032**

[(1)] *Remuneration is paid to Shriram Capital. Retired on 30 June 2015.*
[(2)] *Resigned 13 February 2015.*
[(3)] *Appointed 1 January 2015.*
[(4)] *Appointed 3 December 2015.*

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R1 166 266.

Executive directors' and prescribed officers' emoluments for the year ended 31 December 2015 (R'000)

Name	Months in service	Salary/ Fees	Company contributions	Annual bonus	Attributable value of LTIs [(10)]	OPP payment	Restraint of trade	Total
I Kirk[(1)]	12	5 733	1 092	8 500	13 405	-	-	28 730
JP Möller	12	4 001	762	4 000	8 324	-	-	17 087
TI Mvusi[(2)]	12	2 632	448	2 000	2 445	-	-	7 525
Y Ramiah	12	2 973	190	2 250	2 405	-	-	7 818
J van Zyl[(3)]	6	2 226	424	-	-	-	-	2 650
Subtotal: executive directors		**17 565**	**2 916**	**16 750**	**26 579**	**-**	**-**	**63 810**
H Brody[(4)]	12	3 786	664	3 900	11 600	-	-	19 950
T Gamedze[(5)]	12	3 194	-	1 800	-	-	-	4 994
A Gildenhuys[(6)]	6	1 550	150	2 500	3 670	-	-	7 870
L Lambrechts	12	3 905	533	6 000	5 647	9 903	-	25 988
R Roux[(7)]	2	631	86	8 500	2 591	-	-	11 808
JHP vd Merwe[(8)]	10	3 748	714	13 500	9 378	-	26 618	53 958
HC Werth	12	3 641	497	3 000	3 180	23 700		34 018
AP Zeeman[(9)]	6	1 512	288	3 000	4 880	-		9 680
Executive committee		**39 532**	**5 848**	**58 950**	**67 525**	**33 603**	**26 618**	**232 076**

[(1)] *Appointed as Executive Director and Group CEO on 1 July 2015. He was deputy Group CEO for the first six months of 2015. Full details of his emoluments can also be found in the Sanlam Annual Report.*
[(2)] *Includes an amount of R280 000 paid by Santam.*
[(3)] *Retired from the Executive committee and as Group CEO on 30 June 2015. Full details of his emoluments can also be found in the Sanlam Annual Report.*
[(4)] *Appointed to Executive committee 1 January 2015*
[(5)] *Retired from the Executive committee on 31 December 2015*
[(6)] *Appointed to Executive committee 1 July 2015*
[(7)] *Appointed to Executive committee 1 November 2015*
[(8)] *Retired from the Executive committee on 31 October 2015*
[(9)] *Retired from the Executive committee on 30 June 2015*
[(10)] *Fair value of LTIs granted during the year, assuming 100% vesting.*

24. ADMINISTRATION COSTS INCLUDE (continued):
Directors' remuneration (continued)

Non-executive directors' emoluments for the year ended 31 December 2014 (R'000)

Name	Directors' fees	Attendance and committees	Allowance	Fees from Group	Total
MMM Bakane-Tuoane	186	349	80	-	615
AD Botha	186	312	80	388	966
PR Bradshaw	186	457	80	1 178	1 901
A Duggal[(2)]	186	181	80	-	447
MV Moosa	186	311	80	-	577
PT Motsepe	278	282	119	-	679
MP Mthethwa[(1)]	186	283	80		549
SA Nkosi	186	115	80	-	381
P deV Rademeyer	186	601	80	906	1 773
RV Simelane	186	221	80	-	487
DK Smith (Chairman)	1 564	-	670	-	2 234
CG Swanepoel	186	637	80	1 330	2 233
ZB Swanepoel	186	221	80	-	487
PL Zim	186	221	80	-	487
Total non-executive directors	**4 074**	**4 191**	**1 749**	**3 802**	**13 816**

(1) *Resigned 13 February 2015.*
(2) *Remuneration is paid to Shriram Capital.*
Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R853 981.
* Restated for the removal of fees paid by companies outside the Sanlam Life Group.
**Comparative information has been adjusted to disclose the total Sanlam Group companies fees.

Executive directors' and prescribed officers emoluments for the year ended 31 December 2014 (R'000)

Name	Months in service	Salary/ Fees	Company contributions	Annual bonus	Attributable value of LTIs (4)	OPP payment	Restraint of trade	Total
JP Möller	12	3 717	708	5 000	5 804	-	-	15 229
TI Mvusi[(1)]	12	2 544	433	2 300	2 413	-	-	7 690
Y Ramiah	12	2 820	180	2 500	2 267	-	-	7 767
J van Zyl[(3)]	12	4 452	848	-	-	-	-	5 300
Subtotal: executive directors		**13 533**	**2 169**	**9 800**	**10 484**	**-**	**-**	**35 986**
L Lambrechts	12	3 509	479	3 100	3 846	-	-	10 934
JHP vd Merwe	12	4 250	810	8 500	8 875	40 000 (5)	-	62 435
HC Werth	12	3 421	467	2 900	3 859	-	-	10 647
AP Zeeman	12	2 898	552	3 200	3 718	-	-	10 368
I Kirk[(2)]	12	3 519	670	7 000	3 067	-	-	14 256
Themba Gamedze	12	3 131	-	2 300	1 145	-	-	6 576
Executive committee		**34 261**	**5 147**	**36 800**	**34 994**	**40 000**	**-**	**151 202**

** Appointed 30 December 2011.*
(1) *Includes an amount of R271 000 paid by Santam.*
(2) *Ian Kirk as CEO of Santam Limited up to 31 December 2014 is a member of the Executive committee. Full details of his emoluments can also be found in the Santam Annual Report.*
(3) *Johan van Zyl as CEO of Sanlam is a member of the Executive committee. Full details of his emoluments can also be found in the Sanlam Annual Report.*
(4) *Fair value of LTIs granted during the year, assuming 100% vesting.*
(5) *OPP payment: A subsidiary in the Group issued a financial instrument to an entity indirectly related to the individual as disclosed in the related party note to the Group financial statements.*

Executive directors are employed on a full-time basis and all Sanlam's human resources policies are applicable to their
No special arrangements regarding severance or corporate actions have been put in place.

None of the non-executive directors have a director's service contract.

Further details of Sanlam Life Insurance Limited's remuneration policy and directors' emoluments are provided in the Sanlam annual report 2015 on pages

Fees from Group companies for the year ended 31 December 2015 (R'000)

	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	197	285	57	539
PR Bradshaw	1 308	-	120	1 428
P de V Rademeyer	245	527	84	856
CG Swanepoel	349	973	115	1 437
Total fees from Group companies	**2 099**	**1 785**	**376**	**4 260**

24. ADMINISTRATION COSTS (continued)

Fees from Group companies for the year ended 31 December 2014 (R'000)

	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	122	213	53	388
PR Bradshaw	1 178	-	-	1 178
P de V Rademeyer	227	601	78	906
CG Swanepoel	247	900	183	1 330
Total fees from Group companies	**1 774**	**1 714**	**314**	**3 802**

*Comparative information has been adjusted to disclose the total Sanlam Group companies fees.

Out-Performance Plan (OPP)

From time to time, at the discretion of the GHRC, participation in an OPP is extended to certain members of the Sanlam Executive committee who are leaders of the Group's main operating businesses and infrequently, to senior leaders within the main businesses. The OPP rewards superior performance over a three- to five-year measurement period.

No payment is made under the OPP unless expected growth over the period is exceeded and full payment is only made if the stretched performance target is met. The maximum payment that can be made under the OPP is 200% of annual TGP over the respective three- or five-year measurement period (adjusted with salary inflation) or, where applicable, based on the IRR achieved by the relevant business over the measurement period.

Current participants in the OPP and achievement to date are as follows:

Individual	Measurement period	Performance measures	Achievement	Payment
L Lambrechts	1 January 2013 - 31 December 2014	Outperformance of operational targets set for SPF Cluster	58%	Final measurement and payment of R9,9m was made on 1 April 2015
	1 January 2015 - 31 December 2017	Outperformance of operational targets set for Santam	N/A	Final measurement and payment on 1 April 2018
HC Werth	1 January 2012 - 31 December 2014	Outperformance of operational targets set for SEM cluster	100%	Final measurement and payment of R23,7m was made on 1 April 2015
	1 January 2015 - 31 December 2017	Outperformance of operational targets set for SEM cluster	N/A	Final measurement and payment on 1 April 2018

To the extent that any awards are granted under the OPP in 2016, this will occur on a basis consistent with that described above.

R million	Group 2015	Group 2014	Company 2015	Company 2014
Auditors' remuneration				
Audit fees: statutory audit	**93**	86	**42**	38
Other services provided by	**51**	8	**18**	1
Subsidiaries' own auditors	**50**	8	**18**	1
Due diligence services	**-**	-		-
Other Group auditors	**1**	-	**-**	-
Total auditors' remuneration	**144**	94	**60**	39
Depreciation	**263**	197	**91**	83
Operating leases	**600**	518	**79**	60
Properties	**373**	324	**77**	59
Equipment	**209**	183	**2**	1
Other	**18**	11	**-**	-
Consultancy fees	**677**	640	**386**	359
Technical, administrative and secretarial fees	**590**	537	**63**	63
Employee benefits	**7 032**	6 440	**3 068**	2 787
Salaries and other short-term benefits	**6 072**	5 681	**2 591**	2 377
Pension costs - defined contribution plans	**478**	323	**191**	158
Pension costs - defined benefit plans	**-**	9	**-**	3
Share-based payments	**427**	382	**235**	204
Other long-term incentive schemes*	**55**	45	**51**	45

*Comparative information has been adjusted to exclude Santam's share-based expense of R124m already disclosed in a separate line.

24. ADMINISTRATION COSTS (continued)

Equity compensation plans

The details of the Sanlam Ltd shares that have been granted to Sanlam Life group employees are as follows:

	Shares 2015 000s	Shares 2014 000s
Group		
Executive share incentive scheme		
Total number of shares at beginning of year	**28 890**	32 825
Unrestricted shares at beginning of year	**(1 182)**	(1 286)
Restricted shares at beginning of year	**27 708**	31 539
Shares in respect of the movement of employees	**(329)**	-
Total restricted shares and share options	**27 379**	31 539
New restricted shares granted in terms of restricted share and DSP schemes	**4 871**	4 892
Unconditional shares released, available for release, or taken up	**(11 703)**	(7 901)
Shares forfeited	**(868)**	(822)
Restricted shares at end of year	**19 679**	27 708
Unrestricted shares at end of year	**807**	1 182
Total equity participation by employees	**20 486**	28 890
Company		
Executive share incentive scheme		
Total number of shares at beginning of year	**25 520**	28 325
Unrestricted shares at beginning of year	**(1 093)**	(1 172)
Restricted shares at beginning of year	**24 427**	27 153
Shares in respect of the movement of employees	**248**	-
Total restricted shares and share options	**24 675**	27 153
New restricted shares granted in terms of restricted share and DSP schemes	**4 228**	4 321
Unconditional shares released, available for release, or taken up	**(10 810)**	(6 289)
Shares forfeited	**(829)**	(758)
Restricted shares at end of year	**17 264**	24 427
Unrestricted shares at end of year	**792**	1 093
Total equity participation by employees	**18 056**	25 520

[(1)] During the year 6 075 730 (Group) (2014: 996 604) and 6 075 730 (Company) (2014: 942 642) number of shares became unrestricted in terms of Restricted Share Plan.

Details regarding the restricted shares outstanding on 31 December 2015 and the financial years during which they become unconditional, are as follows:

	Group		Company	
	Number of shares 000's		Number of shares 000's	
Unrestricted during year ending (subject to performance targets)	**2015**	**2014**	**2015**	**2014**
31 December 2015	**-**	6 760	**-**	5 747
31 December 2016	**5 847**	11 463	**5 059**	10 500
31 December 2017	**4 901**	5 165	**4 364**	4 429
31 December 2018	**4 715**	2 937	**4 159**	2 539
31 December 2019	**2 768**	1 383	**2 426**	1 212
31 December 2020	**1 448**	-	**1 256**	-
	19 679	27 708	**17 264**	24 427

The total restricted shares granted to staff and executive directors were 4,8 million (2014: 4,9 million) for the Group and 4,2 million (2014: 4,3 million) for the Company. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R305 million (2014: R255 million) for the Group and R265 million (2014: R226 million) for the Company and is expensed in the statement of comprehensive income over the vesting period of five years. The fair value is based on the Sanlam share price on grant date, adjusted for dividends not accruing to participants during the vesting period.

R million	Group 2015	Group 2014	Company 2015	Company 2014
25. EQUITY-ACCOUNTED EARNINGS				
Investments in associated companies				
Shriram Capital	**376**	428	**-**	-
Shriram Transport Finance Company	**46**	101	**-**	-
Letshego	**219**	193	**-**	-
Pacific and Orient	**31**	97	**-**	-
Capricorn Investment Holdings	**100**	80	**-**	-
Other associated companies	**315**	377	**-**	-
Investments in joint ventures				
Sanlam Personal Loans	**162**	144	**-**	-
Equity-accounted earnings	**1 249**	1 420	**-**	-

R million	Group 2015	Group 2014	Company 2015	Company 2014
26. FINANCE COST				
Interest paid and term finance cost in respect of interest margin business	**17**	17	**-**	-
Finance cost - margin business	**17**	17	**-**	-
Interest-bearing liabilities designated as at fair value through profit or loss	**530**	477	**181**	181
Interest bearing liabilities held at amortised cost	**-**	-	**-**	-
Finance cost - other	**530**	477	**181**	181

R million	Group 2015	Group 2014	Company 2015	Company 2014
27. TAXATION				
Analysis of income tax per category				
Normal income tax	**3 980**	2 963	**1 789**	1 247
RSA – current year	**2 627**	1 924	**1 308**	728
RSA – prior year over / (under) provision	**29**	3	**-**	-
Dividend tax - policyholders	**105**	115	**83**	97
Foreign	**669**	490	**5**	(1)
Capital gains tax	**550**	431	**393**	423
Deferred tax	**(393)**	179	**(58)**	80
RSA - current year	**(17)**	(66)	**-**	-
RSA - prior year	**-**	-	**-**	-
Foreign	**(120)**	116	**-**	-
Capital gains tax - current year	**(256)**	129	**(58)**	80
Tax expense	**3 587**	3 142	**1 731**	1 327
Shareholders' fund	**2 899**	2 733	**1 349**	1 223
Policyholders' fund	**688**	409	**382**	104
Tax expense	**3 587**	3 142	**1 731**	1 327
In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:				
Included in administration costs	**349**	317	**263**	251
Included elsewhere in profit for the year	**87**	83	**66**	61
Total indirect taxes and levies	**436**	400	**329**	312

Indirect taxes and levies include value-added tax and statutory levies payable to the Regional Services Councils and the Financial Services Board.

	Group 2015 %	Group 2014 %	Company 2015 %	Company 2014 %
Standard rate of taxation	**28.0**	28.0	**28.0**	28.0
Adjusted for:				
Non-taxable income	**(4.2)**	(4.1)	**(7.6)**	(8.8)
Disallowable expenses	**1.9**	1.2	**0.2**	0.1
Share-based payments	**0.1**	-	-	**-**
Investment surpluses	**0.3**	(4.1)	**(7.9)**	(10.3)
Foreign tax rate differential	**(0.3)**	-	-	**-**
Transfers	**(0.4)**	-	-	**-**
Policyholder investment return	**3.9**	2.1	**2.3**	0.5
Utilisation of assessed loss	**(0.1)**	(0.1)	**-**	-
Other	**(1.1)**	(0.1)	**-**	-
Effective tax rate	**28.1**	22.9	**15.0**	9.5

Non-taxable income relates primarily to equity accounted earnings and dividend income. Disallowable expenses vary depending on the jurisdiction and includes non-deductible impairments.

28. DIVIDENDS

No dividend was declared and paid in respect of the 2015 financial year (2014: R79 per share).

R million	Group 2015	2014	Company 2015	2014
29. COLLATERAL				
29.1 Collateral provided				
The following assets have been pledged as collateral for the Group's structured transactions, liabilities or contingent liabilities:				
Investments				
Interest-bearing investments	**1 658**	905	**1 658**	905
Working capital assets				
Cash, deposits and similar securities	**-**	246	**-**	-
The transferee does not have the right to sell or repledge the assets.				
29.2 Collateral received				
The following collateral has been received in respect of securities lending activities conducted by the Group:				
Fair value of collateral accepted as security for these activities	**18 078**	14 024	**17 112**	18 047
Collateral of between 105% (2014: 105%) and 115% (2014: 115%) of the value of the loaned securities is held at 31 December 2015.				

30. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the amounts reported for the Group's assets and liabilities. Management applies judgement in determining best estimates of future experience. These judgements are based on historical experience and reasonable expectations of future events and changes in experience. Estimates and assumptions are regularly updated to reflect actual experience. It is reasonably possible that actual outcomes in future financial years may differ to the current assumptions and judgements, possibly significantly, which could require a material adjustment to the carrying amounts of the affected assets and liabilities.

The critical estimates and judgements made in applying the Group's accounting policies are summarised below. Given the correlation between assumptions, it is not possible to demonstrate the effect of changes in key assumptions whilst other assumptions remain unchanged. Further, in some instances the sensitivities are non-linear. Interdependencies between certain assumptions cannot be quantified and are accordingly not included in the sensitivity analyses; the primary example being the relationship between economic conditions and lapse, surrender and paid-up risk.

An important indicator of the accuracy of assumptions used by a life insurance company is the experience variances reflected in the embedded value earnings during a period. The experience variances reported by the Group to date have been reasonable compared to the embedded value of covered business, confirming the accuracy of assumptions used by the Group.

30.1 Impairment of goodwill and value of business acquired

The recoverable amount of goodwill and value of business acquired and other intangible assets for impairment testing purposes has been determined based on the embedded value of covered life insurance businesses and the fair value of other businesses, as applicable, less the consolidated net asset value of the respective businesses. The embedded value (plus a value of new life insurance business multiple for goodwill) or fair value of a business therefore has a significant impact on whether an impairment of goodwill and/or value of business acquired is required. Refer to pages 207 to 209 respectively for the main assumptions applied in determining the embedded value of covered business and the fair value of other Group businesses in the Sanlam annual report. Embedded value of covered business and fair value sensitivity analyses are also provided in the Sanlam annual report on pages 203 and 190 respectively.

30.2 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services

This disclosure should be read in conjunction with the valuation methodology as described on pages 32 to 37.

The following process is followed to determine the valuation assumptions:

· Determine the best estimate for a particular assumption.
· Prescribed margins are then applied as required by the Long-term Insurance Act in South Africa and Board Notice 14 of 2010 issued in terms of the Act.
· Discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

30.2 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services (continued)

The best estimate of future experience is determined as follows:

Investment return

Future investment return assumptions are derived from market-related interest rates on fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account. Investment return information for the most important solutions are as follows:

	Sanlam Life		Sanlam Developing Markets		Sanlam Life Namibia	
%	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Reversionary bonus business						
Retirement annuity business	11.8	9.8	n/a	n/a	11.8	9.8
Individual policyholder business	10.0	8.3	8.0	6.4	11.0	9.1
Individual stable bonus business						
Retirement annuity business	11.5	9.5	10.3	8.3	11.5	9.5
Individual policyholder business	9.6	8.0	8.0	6.4	10.7	8.8
Non-taxable business	11.5	9.5	n/a	n/a	11.5	9.5
Corporate policyholder business	9.1	7.5	n/a	n/a	10.7	8.8
Individual market-related business						
Retirement annuity business	11.8	9.8	10.3	8.3	11.8	9.8
Individual policyholder business	10.0	8.3	8.0	6.4	11.0	9.1
Non-taxable business	11.8	9.8	n/a	n/a	11.8	9.8
Corporate policyholder business	9.4	7.8	n/a	n/a	11.0	9.1
Participating annuity business	10.0	8.0	n/a	n/a	9.8	7.8
Non-participating annuity business*	10.4	8.6	11.1	8.5	10.4	8.7
Guarantee plans*	6.4	6.5	6.5	6.0	n/a	n/a

* The calculation of policy liabilities is based on discount rates derived from the zero-coupon yield curve. This is the average rate that produces the same policy liabilities as calculated using the yield curve applied in the valuation.

Future bonus rates for participating business

Assumed future bonus rates are determined to be consistent with the valuation implicit rate assumptions.

Decrements

Assumptions with regards to future mortality, disability and disability payment termination rates are consistent with the experience for the 4.5 years ending 30 June 2015. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business. Assumptions with regard to future surrender, lapse and paid-up rates are based on the experience for the 4.75 years ending 30 September 2015.

Expenses

Unit expenses are based on 31 October 2015 actual figures plus estimates for the last two months of the year (adjusted for significant difference from actual) and escalated at estimated expense inflation rates per annum.

Refer to note 1 on page 203 of the Sanlam annual report for a sensitivity analysis of the value of in-force covered business to the main valuation assumptions.

30.3 Policy liabilities for investment contracts with investment management services

The valuation of these contracts is linked to the fair value of the supporting assets and deviations from future investment return assumptions will therefore not have a material impact. The recoverability of the DAC asset is not significantly impacted by changes in lapse experience; if future lapse experience was to differ by 10% (2014: 10%) from management's estimates, no impairment of the DAC asset would be required.

30.4 The ultimate liability arising from claims under short-term insurance contracts

The estimation of the ultimate liability arising from claims under short-term insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately incur.

The risk environment can change suddenly and unexpectedly owing to a wide range of events or influences. The Group is constantly refining its short-term insurance risk monitoring and management tools to enable the Group to assess risks appropriately, despite the greatly increased pace of change. The growing complexity and dynamism of the environment in which the Group operates means that there are, however, natural limits. There will never be absolute certainty in respect of identifying risks at an early stage, measuring them sufficiently or correctly estimating their real hazard potential.

Refer to the Capital and Risk Management Report on page 89 for further information on the estimation of the claims liability.

30.5 Valuation of unlisted investments

The valuation of unlisted investments is based on generally accepted and applied investment techniques, but is subject to judgement in respect of the adjustments made by the Group to allow for perceived risks. The appropriateness of the valuations is continuously tested through the Group's approval framework, in terms of which the valuation of unlisted investments is reviewed and recommended for approval by the Audit, Actuarial and Finance committee and Board by the Sanlam Non-listed Asset Controlling Body at each reporting period. Refer to note 40 for additional information.

30.6 Consolidation of investment funds

The Group invest in a number of investment funds and have varying holdings. In terms of IFRS 10, the Group considers itself to have control of a fund when it both owns the asset manager of the fund and holds greater than 20% thereof.

30.7 Cash flow hedging instruments

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk, in this case the foreign currency risks associated with a forecast transaction, and could affect profit or loss. For a forecast transaction, the key criterion for hedge accounting purposes is that the forecast transaction must be "highly probable". Management has assessed the facts and circumstances relating to the proposed acquisition of a 30% interest in Saham Finances (as announced on 24 November 2015) as well as various transactions with the Shriram Group, and concluded that the likelihood of the transactions not being concluded was remote. The expected effectiveness of the hedging relationships were also assessed and it is expected that the hedges would be effective throughout the hedging period. It was therefore concluded that hedge accounting can be applied. Refer to page 129 for more information on the hedging transactions.

31. RETIREMENT BENEFITS FOR EMPLOYEES

The Sanlam Life Group provides for the retirement and medical benefits of full-time employees and for certain part-time employees by means of defined benefit and defined contribution pension and provident funds.

Group

At 31 December 2015, 100% of employees were covered by defined contribution funds and 0% by defined benefit funds (2014: 99% and 1% respectively).

Company

At 31 December 2015, 100% of employees were covered by defined contribution funds and 0% by defined benefit funds (2014: 100% and 0% respectively).

Although there are no active employees under the defined benefit plan the Sanlam Group has 484 pensioners as at 31 December 2015 (2014: 502) who still receive a pension from the defined benefit fund.

31.1 Defined contribution funds

There are separate defined contribution funds for advisers, full-time and part-time office staff.

Group

The Group contributed R478 million to these funds during 2014 (2014: R323 million).

Company

The Company contributed R191 million to these funds during 2014 (2014: R158 million).

31.2 Defined benefit funds

The Sanlam Group has two defined benefit funds. These funds relate to:

- Company fund:

Sanlam office personnel (that did not elect to transfer to the defined contribution fund); and

- Additional funds in the Group:

Sanlam Developing Markets defined benefit fund SA

The Sanlam office personnel fund and Sanlam Developing Markets defined benefit fund SA are governed by the Pensions Funds Act in South Africa. Both funds are valued annually. According to the latest valuation in accordance with IAS 19 both funds were in a materially sound financial position.

The majority of the Group's defined benefit obligation is made up of the Sanlam Life Fund. Plan participants are insured against the financial consequences of old age, disability and death. According to the Act the minimum benefit of a defined benefit fund is the greater of the present value of the member's accrued deferred pension and accumulated value of member contributions and vested employer contributions on the date of withdrawal.

The Registrar of Pension Funds has indicated that a fund will be considered to be financially unsound when an actuarial valuation reveals that the value of the existing assets is less than the value of accrued liabilities. The accrued liabilities are the liabilities in respect of past service benefits of active members and the pension benefits of the inactive members. Adequate allowance for future salary increases for active members and allowance for pension increases in line with the Fund's pension increase policy are required to ensure that the fund is always financially sound.

A board of Trustees oversees the affairs of the defined benefit fund as required by the Pension Funds Act. The responsibilities of the Trustees are defined in the Act and the Fund rules. An actuarial report on the fund is prepared annually and approved by the Registrar of Pension Funds. Other funds are managed in a similar manner.

There are no significant risks the entity is exposed to due to the plan. The plan has also used some of its reserves for a dynamic hedging strategy. The dynamic hedging investment strategy in respect of the pensioner liabilities at 1 April 2011 was implemented with the purpose of optimising pension growth and the Trustees on advice of the valuator have approved a number of contingency reserve accounts to protect the Pension Fund against specific contingencies. The plan assets are also well diversified. The Sanlam Developing Markets plan is subject to similar risk management practices.

The funding level of the fund is 109.6% (previous year 137%) for the Group and 106,9% (previous year 141%) for the company.There are no statutory minimum funding level requirements.

During the year ended 31 December 2014 all active members of the Sanlam Office Personnel Fund were transferred to the defined contribution fund. The fund is closed to new entrants and was regarded as financially sound at the end of the financial year.

The fund surplus of R144 million was transferred to the Sanlam Staff Umbrella Provident Fund in 2015.

		Sanlam office personnel	Sanlam Developing Markets SA
Principal actuarial assumptions:			
Latest valuation date		31 Dec 2015	31 Dec 2015
Pre-retirement discount rate	% pa	10.1%	10.6%
Post-retirement discount rate	% pa	2.0%	5.3%
Future salary increases	% pa	0.0%	0.0%
Future pension increases	% pa	6.8%	5.0%
Actual experience:			
Actual return on assets	% pa	0.8%	1.2%

		Sanlam office personnel	Sanlam Developing Markets SA
Principal actuarial assumptions:			
Latest valuation date		31 Dec 2014	31 Dec 2014
Pre-retirement discount rate	% pa	8.5%	8.7%
Post-retirement discount rate	% pa	1.7%	3.1%
Future salary increases	% pa	0.0%	6.3%
Future pension increases	% pa	6.8%	5.5%
Actual experience:			
Actual return on assets	% pa	10.3%	11.8%

Based on reasonable actuarial assumptions about future experience, the employers' contribution, as a fairly constant percentage of the remuneration of the members of the funds, should be sufficient to meet the promised benefits of the funds. The expected return on defined benefit fund assets is calculated based on the long-term asset mix of these funds. The fund assets are analysed into different classes such as equities, bonds and cash, and a separate expected return is calculated for each class. Current market information and research of future trends are used as the basis for calculating these expected returns.

Group

R million	**2015**	**2014**	**2013**	**2012**	**2011**
Net liability recognised in statement of financial position:					
Present value of fund obligations	**804**	880	1 279	1 330	1 397
Actuarial value of fund assets	**(881)**	(1 205)	(1 625)	(1 556)	(1 404)
Net present value of funded obligations	**(77)**	(325)	(346)	(226)	(7)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	**77**	181	346	226	7
Net asset recognised in statement of financial position:	**-**	(144)	-	-	-
Experience adjustments % on:					
Fund obligations	**0.9%**	2.2%	1.0%	0.6%	0.3%
Fund assets	**-8.5%**	1.8%	1.3%	7.7%	0.8%

31. RETIREMENT BENEFITS FOR EMPLOYEES (continued)
31.2 Defined benefit funds (continued)

Company

R million	2015	2014	2013	2012	2011
Net liability recognised in statement of financial position:					
Present value of fund obligations	**720**	716	1 127	1 172	1 251
Actuarial value of fund assets	**(769)**	(1 010)	(1 443)	(1 390)	(1 251)
Net present value of funded obligations	**(49)**	(294)	(316)	(218)	-
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	**49**	150	316	218	-
Net Asset recognised in statement of financial position:	**-**	(144)	-	-	-
Experience adjustments % on:					
Fund obligations	**0.9%**	2.2%	1.0%	3.2%	0.4%
Fund assets	**-8.5%**	1.8%	1.3%	8.1%	0.9%

Group

R million	Fund assets	Fund liabilities	Asset ceiling	Net Asset/Liability
2015				
Balance at beginning of the year	**1 205**	**(880)**	**(181)**	**144**
Current service cost	**-**	**(2)**	**-**	**(2)**
Contributions	**-**	**-**	**-**	**-**
Employee	**-**	**-**	**-**	**-**
Employer	**-**	**-**	**-**	**-**
Benefit payments	**(186)**	**186**	**-**	**-**
Employer surplus transferred from defined benefit assets	**(144)**	**-**	**-**	**(144)**
Interest income / (expense)	**90**	**(70)**	**(18)**	**2**
Actuarial gains and losses: change in financial assumptions	**-**	**(43)**	**-**	**(43)**
Returns from plan assets (excluding amounts included in interest)	**(79)**	**-**	**-**	**(79)**
Foreign exchange gains and (losses)	**-**	**-**	**-**	**-**
Effect of limiting defined benefit asset to amount available to employer	**-**	**-**	**122**	**122**
Other	**(5)**	**5**	**-**	**-**
Balance at end of the year	**881**	**(804)**	**(77)**	**-**
2014				
Balance at beginning of the year	1 625	(1 279)	(346)	-
Current service cost	-	(8)	-	(8)
Contributions	5	-	-	5
Employee	1	-	-	1
Employer	4	-	-	4
Benefit payments	(93)	97	-	4
Transfers	(488)	488	-	-
Interest income / (expense)	146	(116)	(31)	(1)
Actuarial gains and losses: change in financial assumptions	-	(62)	-	(62)
Returns from plan assets (excluding amounts included in interest)	10	-	-	10
Effect of limiting defined benefit asset to amount available to employer	-	-	196	196
Other	-	-	-	-
Balance at end of the year	1 205	(880)	(181)	144

Company				
2015				
Balance at beginning of the year	**1 010**	**(716)**	**(150)**	**144**
Current service cost	**-**	**-**	**-**	**-**
Contributions	**-**	**-**	**-**	**-**
Employee	**-**	**-**	**-**	**-**
Employer	**-**	**-**	**-**	**-**
Benefit payments	**(98)**	**98**	**-**	**-**
Employer surplus transferred from defined benefit assets	**(144)**	**-**	**-**	**(144)**
Interest income / (expense)	**74**	**(59)**	**(15)**	**-**
Actuarial gains and losses: change in financial assumptions	**-**	**(48)**	**-**	**(48)**
Returns from plan assets (excluding amounts included in interest)	**(68)**	**-**	**-**	**(68)**
Effect of limiting defined benefit asset to amount available to employer	**-**	**-**	**116**	**116**
Other	**(5)**	**5**	**-**	**-**
Balance at end of the year	**769**	**(720)**	**(49)**	**-**
2014				
Balance at beginning of the year	1 443	(1 127)	(316)	-
Current service cost	-	(5)	-	(5)
Contributions	3	-	-	3
Employee	1	-	-	1
Employer	2	-	-	2
Benefit payments	(84)	84	-	-
Transfers	(488)	488	-	-
Interest income / (expense)	131	(101)	(28)	2
Actuarial gains and losses: change in financial assumptions	-	(55)	-	(55)
Returns from plan assets (excluding amounts included in interest)	5	-	-	5
Effect of limiting defined benefit asset to amount available to employer	-	-	194	194
Balance at end of the year	1 010	(716)	(150)	144

31. RETIREMENT BENEFITS FOR EMPLOYEES (continued)

31.2 Defined benefit funds (continued)

R million	Group 2015	Group 2014	Company 2015	Company 2014
Fund assets comprise:				
Properties	11	7	11	7
Equities and similar securities	350	489	238	294
Interest-bearing investments	290	338	290	338
Cash, deposits and similar securities	230	371	230	371
	881	1 205	**769**	1 010

The above value of fund assets includes an investment of Rnil million (2014: Rnil million) in Sanlam shares.

No material portion of the above assets is unquoted

Net expense recognised in the statement of comprehensive income (included in administration costs):	Group 2015	Group 2014	Company 2015	Company 2014
Current service cost	2	8	-	5
Interest cost	(2)	1	-	(2)
Other	-	-	-	-
Total included in staff costs	-	9	-	3

The following discounted benefits payments are expected payments to be made in future years out of the defined benefit plan obligation:

	Group 2015	Group 2014	Company 2015	Company 2014
< 1 year	**(72)**	(79)	**(65)**	(64)
1 - 5 years	**(241)**	(264)	**(216)**	(215)
> 5 years	**(491)**	(537)	**(439)**	(437)
Total Expected payments	**(804)**	(880)	**(720)**	(716)

A quantitative sensitivity analysis for the significant assumption as at 31 December 2015 is as follows:

	% change in assumed actuarial assumptions			
	Group		Company	
Sensitivity analysis	**1% decrease**	**1% increase**	**1% decrease**	**1% increase**
Effect of movement in real rate of return	66	(59)	63	(56)
Total defined benefit obligation for post-retirement benefits	(738)	(863)	(657)	(776)

The sensitivity analysis above has been determined by varying the investment return actuarial assumptions. The assumptions made when preparing the sensitivity analysis have been grouped into two scenarios. In scenario one the base investment return (affecting the pre-retirement and post-retirement discount rate and expected rate of return) has been decreased by 1% and in scenario two the base investment return has been increased by 1%.

31.3 Medical aid funds

The actuarially determined present value of medical aid obligations for disabled members and certain pensioners is fully provided for at year-end and is considered to be immaterial. The Group has no further unprovided post-retirement medical aid obligations for current or retired employees.

32. BORROWING POWERS

In terms of the memorandum of incorporation of Sanlam Life Insurance Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company subject to the prior approval of the Registrar of Long Term insurance.

Material borrowings of the Group and Company are disclosed in note 16.

R million	Group 2015	Group 2014	Company 2015	Company 2014
33. COMMITMENTS AND CONTINGENCIES				
33.1 Operating leases				
Future operating lease commitments:				
Lease rentals due within one year	**392**	507	**79**	75
Lease rentals due within two to five years	**813**	854	**205**	143
Lease rentals due within more than five years	**238**	324	**124**	159
Total operating lease commitments	**1 443**	1 685	**408**	377

33.2 Guarantees provided in favour of others

Sanlam Limited has issued letters of support, in the ordinary course of business, for the activities of certain subsidiaries in the Group.

33.3 Other

Financial claims are lodged against the Group from time to time. Provisions are recognised for these claims based on best estimates of the expected outcome of the claims (refer to note 18). Given the high degree of uncertainty involved in determining the expected outcome, it is reasonably possible that outcomes in future financial years will be different to the current estimates. There are no other material commitments or contingencies that have not been provided for or fully disclosed, unless additional disclosures may potentially prejudice the legal arguments of the Group.

For details in respect of the Saham transaction please refer to page 129.

34. RELATED PARTIES

Ultimate shareholder

Sanlam Limited is the ultimate holding company of Sanlam Life Insurance Limited.

Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R478 million in 2015 (2014: R332 million) for the Group and R191 million in 2015 (2014: R161 million) for the company. There are no amounts outstanding at year-end.

Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the company. All directors of Sanlam Life Insurance Limited have notified that they did not have a material interest in any contract of significance with the company, which could have given rise to a conflict of interest during the year. Details relating to directors' emoluments are included in note 24 and their shareholdings and share participation in Sanlam Limited are discosed as part of the Remuneration Report within the Sanlam Annual Report.

Policy administration

Certain companies in the Group carry out third party policy and other administration activities for other related parties in the Sanlam Group. These transactions are entered into in the normal course of business.

34. RELATED PARTIES (continued)

Transactions with entities in the Sanlam group

During the year the Company in the ordinary course of business entered into various transactions with subsidiary companies, associated companies, joint ventures and other stakeholders. These transactions occurred at arm's length. Refer below for detail of transactions and balances outstanding with related parties.

The Company advanced, repaid and received loans from other subsidiaries in the Sanlam group during the current and previous years.
During the year a controlling stake of Indwe was sold to Ubuntu-Botho Investments (Ubuntu-Botho Investments is considered to be a related party to the Sanlam Limited Group).
Details of investments in subsidiaries, associates and joint ventures are disclosed in notes 7.2 and note 7.4.
Inter-company balances with subsidiaries are disclosed below other than loans which are disclosed on page 47.
Details of transactions that occurred during the financial period and outstanding balances with related parties, are listed below. A complete list of all related parties are disclosed on pages 82 to 84.

The Group provides financing for the loans granted to Sanlam Personal Loans. Most of these loans earn interest of the asset swap rate plus a premium of between 1,48% and 2,75%, and will mature in tranches up to 30 December 2018 (refer Capital and Risk Management Report).

Company **R million** **Related Parties**	**Transaction / Balance type**	**Total Transactions** **2015**	**2014**	**Balances outstanding** **2015**	**2014**
Holding company					
Sanlam Ltd	Inter-company balances	-	-	(436)	(2 704)
Subsidiaries (Direct and Indirect)					
Anglo African Finance (Pty) Ltd	Inter-company balances	-	-	(3)	(7)
Channel Life Ltd	Distributions received	129	201	-	-
Coris Capital (Pty) Ltd	Distributions received	-	5	-	-
	Cost recoveries	(5)	1	-	-
Safrican Insurance Company Limited	Distributions received	42	90	-	-
Sanlam Customised Insurance Limited	Distributions received	-	10	-	-
Sanlam Developing Markets (Pty) Ltd	Service,commission and marketing fees	50	44	-	-
	Distributions received	570	2 716	-	-
Sanlam Emerging Markets (Pty) Ltd	Distributions received	816	150	-	-
Sanlam Health Care Management (Pty) Ltd	Distributions received	7	7	-	-
	Service fees	1	-	-	-
Sanlam Investment Management (Pty) Ltd	Service fees	418	363	-	-
	Scrip lending fees	17	16	-	-
	Distributions received	381	241	-	-
Sanlam Life Namibia Ltd	Cost recoveries	3	3	-	-
Sanlam Linked Investments (Pty) Ltd	Service & commission fees	44	48	-	-
Sanlam Namibia Holdings Ltd	Distributions received	44	40	-	-
	Cost recoveries	2	2	-	-
Sanlam Private Investments (Pty) Ltd	Service,commission and marketing fees	46	46	-	-
Sanlam Trust (Pty) Ltd	Service,commission and marketing fees	21	19	-	-
	Distributions received	23	23	-	-
Santam Ltd	Service fees	223	208	-	-
	Inter-company balances	-	-	6	8
	Distributions received	521	472	-	-
Fellow subsidiaries (Direct and Indirect)					
Gensec Holdings BV	Inter-company balances	-	-	(475)	(404)
Glacier Financial Holdings (Pty) Ltd	Service and marketing fees	70	61	-	-
	Inter-company balances	-	-	21	6
MiWay Finance (Pty) Ltd	Inter-company balances	-	-	3	2
Radius Administrative Services (Pty) Ltd	Inter-company balances	-	-	-	-
Real Futures (Pty) Limited	Service,commission and marketing fees	25	10	-	-
Sanlam Capital Markets Ltd	Financial instruments	-	-	4 543	4 928
	Inter-company balances	-	-	31	71
Sanlam Collective Investments (Pty) Ltd	Service,commission and marketing fees	45	36	-	-
	Interest paid	(6)	(7)	-	-
	Inter-company balances	-	-	-	(49)
Sanlam Investment Holdings (Pty) Ltd	Inter-company balances	-	-	422	577
Sanlam Investments (Pty) Ltd	Inter-company balances	-	-	(54)	1
Sanlam Prefco (Pty) Ltd	Inter-company balances	-	-	(385)	(243)
Sanpref (Pty) Ltd	Inter-company balances	-	-	6	3
Sanlam Spec (Pty) Ltd	Inter-company balances	-	-	459	562
Sanlam Netherlands Holding BV	Inter-company balances	-	-	-	(1 664)
The Sanlam Limited Share Incentive Trust	Inter-company balances	-	-	522	559
Associate of holding company					
Gensec Property Services Ltd	Property Management fee	(30)	(29)	-	-
	Tenant commission	(20)	(17)	-	-
	Technical fees	(1)	(1)	-	-
Joint Ventures					
Sanlam Personal Loans (Pty) Ltd	Distributions received	49	-	-	-
Curo Fund Services (Pty) Ltd	Asset administration fee	75	70	-	-

34. RELATED PARTIES (continued)

Company

R million **Related Parties**	**Transaction**	**2015** **Total Transactions**	**2014**
First Avenue Sanlam Collective Investments Equity Fund	Distributions received	63	31
Glacier Money Market Fund Class	Distributions received	219	-
Graviton Sanlam Collective Investments Balanced Fund	Distributions received	31	-
Graviton Sanlam Collective Investments Capital Growth Fund	Distributions received	20	-
Graviton Sanlam Collective Investments Flexible Income Fund	Distributions received	36	-
Graviton Sanlam Collective Investments Low Equity Fund	Distributions received	35	-
Sanlam Diversified Income Fund of Funds	Distributions received	-	18
Sanlam Growth Institutional Fund	Distributions received	74	72
Sanlam Institutional Special Opportunities Fund	Distributions received	102	64
Sanlam Multi Managed Absolute Solution 5 Fund of Funds	Distributions received	-	-
Sanlam Multi Managed Aggressive Fund of Funds	Distributions received	4	1
Sanlam Multi Managed Cautious Fund of Funds	Distributions received	6	1
Sanlam Multi Managed Conservative Fund of Funds	Distributions received	30	-
Sanlam Multi Managed Defensive Fund of Funds	Distributions received	13	-
Sanlam Multi Managed Equity Fund	Distributions received	26	24
Sanlam Multi Managed Equity Index Fund	Distributions received	16	14
Sanlam Multi Managed Inflation Linked Bond Fund	Distributions received	11	19
Sanlam Multi Managed Institutional Aggressive Equity Fund One	Distributions received	1	-
Sanlam Multi Managed Institutional All Bond Fund One	Distributions received	10	19
Sanlam Multi Managed Institutional All Bond Fund Three	Distributions received	42	23
Sanlam Multi Managed Institutional Balanced Fund of Funds	Distributions received	27	2
Sanlam Multi Managed Institutional Bond Fund	Distributions received	190	159
Sanlam Multi Managed Institutional General Equity Fund One	Distributions received	8	40
Sanlam Multi Managed Institutional General Equity Fund Two	Distributions received	102	62
Sanlam Multi Managed Institutional Positive Return Fund Four	Distributions received	54	28
Sanlam Multi Managed Institutional Positive Return Fund One	Distributions received	35	16
Sanlam Multi Managed Institutional Positive Return Fund Three	Distributions received	8	16
Sanlam Multi Managed Institutional Positive Return Fund Two	Distributions received	35	28
Sanlam Multi Managed Institutional Prudential Balanced Fund One	Distributions received	16	2
Sanlam Multi Managed Institutional Prudential Income Provider Fund One	Distributions received	48	11
Sanlam Multi Managed Institutional Prudential Income Provider Fund Two	Distributions received	99	78
Sanlam Multi Managed Institutional Prudential Low Equity One	Distributions received	28	2
Sanlam Multi Managed Moderate Aggressive Fund of Funds	Distributions received	26	2
Sanlam Multi Managed Moderate Fund of Funds	Distributions received	7	3
Sanlam Multi Managed Property Fund	Distributions received	54	32
Sanlam Multi Managed Protection Solution 3 Fund of Funds	Distributions received	6	-
Sanlam Multi Managed Yield Plus Fund	Distributions received	25	23
Sanlam Optimised Income Fund	Distributions received	-	14
Sanlam Select Absolute Fund	Distributions received	15	2
Sanlam Select Managed Fund	Distributions received	28	4
Sanlam Select Thematic Equity Fund	Distributions received	26	3
Sanlam Stable Growth Fund	Distributions received	19	16
Sanlam Value Institutional Fund	Distributions received	54	56
Satrix ALSI Index Fund	Distributions received	3	-
Satrix Balanced Index Fund	Distributions received	30	7
Satrix Bond Index Fund	Distributions received	26	7
Satrix Low Equity Balanced Index Fund	Distributions received	10	-
Satrix Momentum Index Fund	Distributions received	3	-
Satrix MSCI World Equity Index Feeder Fund	Distributions received	0	-
Satrix Property Index Fund	Distributions received	36	-
SIM Absolute Return Income Fund	Distributions received	62	17
SIM Active Income Fund	Distributions received	422	29
SIM Balanced Fund	Distributions received	489	134
SIM Bond Plus Fund	Distributions received	132	3
SIM Enhanced Yield Fund	Distributions received	200	21
SIM Financial Fund	Distributions received	13	2
SIM General Equity Fund	Distributions received	220	13
SIM Global Best Ideas Feeder Fund	Distributions received	-	-
SIM Global Equity Income Feeder Fund	Distributions received	1	-
SIM Inflation Plus Fund	Distributions received	276	41
SIM Low Equity Fund	Distributions received	37	-
SIM Managed Aggressive Fund of Funds	Distributions received	19	8
SIM Managed Cautious Fund of Funds	Distributions received	64	27
SIM Managed Conservative Fund of Funds	Distributions received	22	8
SIM Managed Moderate Aggressive Fund of Funds	Distributions received	49	19
SIM Managed Moderate Fund of Funds	Distributions received	156	83
SIM Market Allocator Fund	Distributions received	2	2
SIM Property Fund	Distributions received	326	188
SIM Small Cap Fund	Distributions received	10	2
SIM Top Choice Equity Fund	Distributions received	34	1
SIM Value Fund	Distributions received	135	30
SPI Equity Fund	Distributions received	4	-

34. RELATED PARTIES (continued)

Group R million Related Parties	Transaction / Balance type	Total Transactions 2015	2014	Balances outstanding 2015	2014
Holding company					
Sanlam Ltd	Inter-company balances	-	-	(436)	(2 704)
	Dividends received	263	235	-	-
Subsidiaries of fellow subsidiaries					
Sanlam Collective Investments (Pty) Ltd	Service,commission and marketing fees	269	36	-	-
	Investment Management Fees	(8)	280	-	-
	Interest paid	(6)	(7)	-	-
	Inter-company balances	-	-	55	(22)
Sanlam Capital Markets (Pty) Ltd	Investment Management Fees	-	-	-	-
	Interest paid	-	(6)	-	-
	Administration costs	-	4	-	-
	Inter-company balances	-	-	(1 091)	(911)
Glacier (Pty) Ltd	Service,commission and marketing fees	-	-	-	-
	Inter-company balances	-	-	20	6
Sanlam Multi Managers International (Pty) Ltd	Administration costs	61	75	-	-
	Inter-company balances	-	-	(18)	13
Gensec Holdings BV	Inter-company balances	-	-	(475)	(438)
Sanpref (Pty) Ltd	Inter-company balances	-	-	6	(405)
Sanlam Spec (Pty) Ltd	Inter-company balances	-	-	491	594
SIM Kenya (Pty) Ltd	Inter-company balances	-	-	-	-
SIM Unconstrained Equity (Pty) Ltd	Inter-company balances	-	-	-	(11)
	Investment Management Fees	-	(55)	-	-
	Service,commission and marketing fees	-	-	-	-
Sanlam Investment Management: Ireland	Investment Management Fees	-	4	-	-
Satrix Managers (Pty) Ltd	Investment Management Fees	9	7	-	-
	Inter-company balances	-	-	1	-
The Sanlam Limited Share Incentive Trust	Inter-company balances	-	-	614	654
Sanlam Investment Holdings Ltd	Inter-company balances	-	-	545	787
	Asset management fees	(2)	-	-	-
	Investment Management Fees	(48)	-	-	-
	Administration costs	3	-	-	-
Sanlam Netherlands Holdings	Inter-company balances	-	-	-	(1 664)
Genbel Securities Limited	Inter-company balances	-	-	-	35
Radius Administrative Services (Pty) Ltd	Inter-company balances	-	-	-	-
Graviton Financial Partners (Pty) Ltd	Inter-company balances	-	-	50	39
Graviton Wealth (Pty) Ltd	Inter-company balances	-	-	10	3
Sanlam Asset Management Ireland Ltd	Inter-company balances	-	-	(26)	30
	Investment Management Fees	38	37		-
Coris Capital Holdings (Proprietary) Limited	Inter-company balances	-	-	56	61
Sanlam Investments (Pty) Ltd	Inter-company balances	-	-	-	(1)
Graviton Financial Partners	Inter-company balances	-	-	-	-
Sanlam Prefco (Pty) Ltd	Inter-company balances	-	-	(387)	(243)
Sanlam Asset Management (Ireland) Ltd	Investment Management Fees	-	-	-	-
Sanlam Health Solutions	Inter-company balances	- -	-	4	1
Associate of holding company					
Gensec Property Services Ltd	Asset management fees	(30)	(29)	-	-
	Tenant commission	(20)	(17)	-	-

Other transactions with key management personnel

An entity indirectly related to a Group Executive committee member invested an amount of US$6.2 million in a financial instrument issued by a subsidiary of the Sanlam Group. The terms of the instrument entitle the holder thereof to dividends and include rights for the redemption of the instrument at the original subscription amount. A dividend payment of $8,5 million was made in respect of the instrument since issuance. The subscription price for the instrument was determined at fair value on an arm`s-length basis.

34. RELATED PARTIES (continued)

R million	Group 2015	Group 2014	Company 2015	Company 2014
Key management personnel compensation				
Short-term employee benefits	**448**	311	**219**	218
Share-based payments *	**440**	173	**410**	160
Terminations	**4**	1	**-**	-
Other long-term benefits	**62**	30	**41**	11
Total key management personnel compensation	**954**	515	**670**	389

* Consist of redemption of shares in respect of share-based payment schemes.

R million	Group 2015	Group 2014	Company 2015	Company 2014
35. NOTES TO THE CASH FLOW STATEMENT				
35.1 Cash generated/(utilised) in operations				
Profit before tax per statement of comprehensive income	**12 715**	13 739	**11 545**	13 929
Net movement in policy liabilities (note 15.1)	**25 041**	44 932	**18 155**	38 363
Non-cash flow items	**(12 430)**	(29 398)	**(14 466)**	(28 205)
Depreciation	**263**	197	**91**	83
Bad debts written off	**27**	31	**23**	26
Share-based payments	**144**	143	**-**	-
Profit on disposal of subsidiaries and associates	**(426)**	(124)	**-**	(170)
Fair value adjustments	**(11 576)**	(28 435)	**(14 597)**	(28 144)
Impairment of investments and goodwill	**163**	122	**-**	-
Amortisation of intangibles	**224**	88	**17**	-
Equity-accounted earnings	**(1 249)**	(1 420)	**-**	-
Items excluded from cash utilised in operations	**(22 627)**	(20 264)	**(17 033)**	(16 935)
Interest and preference share dividends received	**(14 624)**	(13 439)	**(8 910)**	(8 285)
Interest paid	**547**	494	**181**	181
Dividends received	**(8 550)**	(7 319)	**(8 304)**	(8 831)
Net purchase of fixed assets	**(366)**	(281)	**(115)**	(65)
Net purchase of owner-occupied properties	**(174)**	(56)	**(6)**	(36)
Decrease / (Increase) in net working capital assets and liabilities	**(1 405)**	13 187	**(3 292)**	(120)
Cash (utilised)/generated in operations	**754**	21 859	**(5 212)**	6 931
35.2 Acquisition of subsidiaries and associated companies				
During the year, the Group acquired an interests in Afrocentric, Gateway and Masawara and other immaterial subsidiaries.				
Investments in associated companies	**(858)**	(261)	**(703)**	**-**
The fair value of assets aquired via business combinations is as follows:				
Equipment	**(11)**	(42)	**-**	**-**
Owner-occupied properties	-	(477)	**-**	**-**
Value of business acquired	-	(641)	**-**	**-**
Long-term reinsurance assets	-	(11)	**-**	-
Investments	**(292)**	(13 304)	**-**	-
Other intangible assets	**(1)**	(58)	**-**	-
Deferred tax assets	-	(6)	**-**	-
General insurance technical assets	**(46)**	(12)	**-**	-
Trade and other receivables	**(78)**	(409)	**-**	-
Cash, deposists and similar securities	**(81)**	(959)	**-**	-
Long-term policy liabilities	**8**	12 022	**-**	-
Working capital liabilities	**167**	641	**-**	-
Deferred tax liabilities	**1**	140	**-**	-
General insurance technical provisions	**239**	169	**-**	-
Non-controlling interest	**48**	1 161	**-**	-
Goodwill (note 3)	**(118)**	(263)	**-**	-
Total purchase consideration	**(1,022)**	(2 310)	**(703)**	-
Less: Cash, deposits and similar securities acquired	**81**	959	**-**	-
Net asset value contributed	-	6	**-**	-
Cash component of acquisition of subsidiaries and associated companies	**(941)**	(1 345)	**(703)**	-
35.3 Disposal of subsidiaries and associated companies				
During 2015, the Group disposed of its investment in Indwe and other immaterial subsidiaries:				
Equipment	**22**	-	**-**	-
Goodwill	**193**	-	**-**	-
Value of business acquired	**85**	-	**-**	-
Investments	**-**	56	**-**	-
Trade and other receivables	**6**	21	**-**	-
Deferred tax assets	**-**	3	**-**	-
Cash, deposits and similar securities	**183**	3	**-**	-
Deferred tax liabilities	**(5)**	-	**-**	-
Working capital liabilities	**(181)**	(9)	**-**	-
Investment in associates	**392**	602	**-**	-
Profit on disposal of subsidiaries and associated companies	**426**	124	**-**	170
Total disposal price	**1 121**	800	**-**	170
Less: Cash, deposits and similar securities disposed of	**(183)**	(3)	**-**	-
Less: Associate interest retained	**(132)**	-	**-**	-
Less: Deferred purchase consideration	**(142)**	-	**-**	-
Cash component of disposal of subsidiaries and associated companies	**664**	797	**-**	170
35.4 Cash, deposits and similar securities				
Working capital: Cash, deposits and similar securities	**13 999**	12 089	**3 190**	647
Investment cash	**35 148**	23 406	**15 351**	10 053
Total cash, deposits and similar securities	**49 147**	35 495	**18 541**	10 700

Included in the cash, deposits and similar securities is an amount of $469 million (R7 264 million) which is ringfenced for the acquisition of interests in Saham Finances, Shriram Life Insurance and Shriram General Insurance, as well as an additional contribution to Shriram Capital.

36. BUSINESS COMBINATIONS

There were no material business combinations during the 2015 financial year.

The contribution to profit and revenue from business combinations during 2015 was not material.

	Group		Company	
R million	**2015**	**2014**	**2015**	**2014**
37. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE				

Cardrow Insurance Limited

During 2013, the investment held by Santam International in Cardrow Insurance Limited (previously Westminster Motor Insurance Agency Limited (WMIA)) and the deferred payments previously included under receivables, were classified as held for sale. The holdings in WMIA were sold in 2008 and Santam International only retained deferred payments relating to the sale contracts and Santam UK Limited. Santam Limited is in the process of realising the deferred payment assets which is still subject to regulatory approval.

MCIS Insurance

The General Insurance business of MCIS Insurance was disposed to a third party during 2015.

R million	Group 2015	Group 2014	Company 2015	Company 2014
37.1 Assets of disposal groups classified as held for sale				
Equities and similar securities	**390**	307	**-**	-
Trade and other receivables	**150**	120	**-**	-
General insurance assets classified as held for sale	**-**	1 466	**-**	-
	540	1 893	**-**	-
37.2 Liabilities of disposal groups classified as held for sale				
General insurance liabilities classified as held for sale	**-**	1 466	**-**	-
	-	1 466	**-**	-

38. SEGMENTAL INFORMATION

Group

38.1 Business segments

R million	Sanlam Personal Finance 2015	Sanlam Personal Finance 2014	Sanlam Emerging Markets 2015	Sanlam Emerging Markets 2014	Sanlam Investments 2015	Sanlam Investments 2014	Santam 2015	Santam 2014	Corporate and Other 2015	Corporate and Other 2014	Consolidation entries & IFRS adjustments 2015	Consolidation entries & IFRS adjustments 2014	Policyholder activities 2015	Policyholder activities 2014	Total per Group Statement of Comprehensive Income 2015	Total per Group Statement of Comprehensive Income 2014
Net income	**14 779**	17 243	**6 779**	5 775	**6 035**	5 569	**20 133**	18 115	**273**	(85)	**1 595**	1 337	**28 378**	39 118	**77 972**	87 072
Financial services income	**14 620**	13 871	**6 078**	5 236	**5 531**	5 111	**19 066**	17 700	**61**	94	**4 305**	3 816	**-**	-	**49 661**	45 828
Reinsurance premiums paid	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(6 811)**	(6 322)	**-**	-	**(6 811)**	(6 322)
Reinsurance commission received	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1 275**	1 125	**-**	-	**1 275**	1 125
Investment income	**893**	875	**277**	217	**222**	200	**191**	181	**8**	(62)	**5 361**	4 714	**16 929**	15 389	**23 881**	21 514
Investment surpluses	**(734)**	2 497	**424**	322	**282**	258	**876**	234	**204**	(117)	**(498)**	1 636	**11 449**	23 729	**12 003**	28 559
Finance cost - margin business	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(17)**	(17)	**-**	-	**(17)**	(17)
Change in fair value of external investors liability	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(2 020)**	(3 615)	**-**	-	**(2 020)**	(3 615)
Net insurance and investment contract benefits and claims	**(3 236)**	(3 442)	**(1 258)**	(1 070)	**(2 135)**	(2 061)	**(11 510)**	(10 878)	**-**	-	**-**	-	**(27 922)**	(38 952)	**(46 061)**	(56 403)
Long-term insurance contract benefits	**(3 236)**	(3 442)	**(1 258)**	(1 070)	**(2 135)**	(2 061)	**(11 510)**	(10 878)	**-**	-	**10 706**	10 080	**(7 656)**	(18 628)	**(15 089)**	(25 999)
Long-term investment contract benefits	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(20 266)**	(20 324)	**(20 266)**	(20 324)
Short-term insurance claims	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(14 206)**	(14 404)	**-**	-	**(14 206)**	(14 404)
Reinsurance claims received	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**3 500**	4 324	**-**	-	**3 500**	4 324
Expenses	**(6 363)**	(5 854)	**(2 599)**	(1 971)	**(2 226)**	(2 030)	**(5 306)**	(4 936)	**(311)**	(300)	**(2 723)**	(2 572)	**-**	-	**(19 528)**	(17 663)
Sales remuneration	**(2 656)**	(2 369)	**(1 091)**	(842)	**(51)**	(56)	**(2 004)**	(1 863)	**-**	-	**(1 269)**	(1 118)	**-**	-	**(7 071)**	(6 248)
Administration costs	**(3 707)**	(3 485)	**(1 508)**	(1 129)	**(2 175)**	(1 974)	**(3 302)**	(3 073)	**(311)**	(300)	**(1 454)**	(1 454)	**-**	-	**(12 457)**	(11 415)
Impairment of investments and goodwill	**(17)**	-	**(94)**	(50)	**-**	**-**	**(52)**	(72)	**-**	**-**	**-**	-	**-**	-	**(163)**	(122)
Amortisation of intangibles	**(51)**	(39)	**(103)**	(13)	**(29)**	(2)	**(41)**	(34)		-	**-**	-	**-**	-	**(224)**	(88)
Net operating result	**5 112**	7 908	**2 725**	2 671	**1 645**	1 476	**3 224**	2 195	**(38)**	(385)	**(1 128)**	(1 235)	**456**	166	**11 996**	12 796
Equity-accounted earnings	**-**	-	**16**	30		-	**40**	58	**-**	-	**1 193**	1 332		**-**	**1 249**	1 420
Finance cost	**-**	-	**-**	-		-	**-**	-	**-**	-	**(530)**	(477)		-	**(530)**	(477)
Profit before tax	**5 112**	7 908	**2 741**	2 701	**1 645**	1 476	**3 264**	2 253	**(38)**	(385)	**(465)**	(380)	**456**	166	**12 715**	13 739
Taxation	**(1 589)**	(1 536)	**(662)**	(753)	**(383)**	(374)	**(893)**	(638)	**79**	79	**317**	246	**(456)**	(166)	**(3 587)**	(3 142)
Shareholders' fund	**(1 589)**	(1 536)	**(662)**	(753)	**(383)**	(374)	**(893)**	(638)	**79**	79	**549**	490	**-**	-	**(2 899)**	(2 732)
Policyholders' fund	**-**	-	**-**	-		-	**-**	-	**-**	-	**(232)**	(244)	**(456)**	(166)	**(688)**	(410)
Profit for the year	**3 523**	6 372	**2 079**	1 948	**1 262**	1 102	**2 371**	1 615	**41**	(306)	**(148)**	(134)	**-**	-	**9 128**	10 597
Attributable to:																
Shareholders' fund	**3 519**	6 372	**1 554**	1 570	**1 262**	1 102	**1 414**	954	**41**	(306)	**(148)**	(134)	**-**	-	**7 642**	9 558
Minority shareholders' interest	**4**	-	**525**	378	**-**	-	**957**	661	**-**	-	**-**	-	**-**	-	**1 486**	1 039
	3 523	6 372	**2 079**	1 948	**1 262**	1 102	**2 371**	1 615	**41**	(306)	**(148)**	(134)	**-**	-	**9 128**	10 597
Non-cash expenses/(income)	**(765)**	(5 612)	**(1 287)**	(882)	**(2 839)**	(197)	**(633)**	(3)	**892**	(696)	**3 632**	1 721	**(11 449)**	(23 729)	**(12 449)**	(29 398)
Depreciation	**102**	90	**66**	40	**8**	8	**67**	59	**-**	-	**-**	-		-	**243**	197
Bad debts	**6**	17	**14**	1	**9**	17	**-**	-	**-**	-	**(1)**	(4)		-	**28**	31
Share-based payments	**-**	-	**15**	13	**-**	-	**129**	130	**-**	-	**-**	-		-	**144**	143
(Profit)/loss on disposal of subsidiaries, associates and joint ventures	**-**	-	**2**	(124)	**-**	-	**(428)**	-	**-**	200	**-**	(200)		-	**(426)**	(124)
Fair value adjustments	**(941)**	(5 758)	**(1 565)**	(845)	**(2 885)**	(224)	**(454)**	(240)	**892**	(896)	**4 826**	3 257	**(11 449)**	(23 729)	**(11 576)**	(28 435)
Amortisation of intangibles	**51**	39	**103**	13	**29**	2	**41**	34	**-**	-	**-**	-	**-**	-	**224**	88
Impairment of investments and goodwill	**17**	-	**94**	50	**-**	-	**52**	72	**-**	-	**-**	-	**-**	-	**163**	122
Equity-accounted earnings	**-**	-	**(16)**	(30)	**-**	-	**(40)**	(58)	**-**	-	**(1 193)**	(1 332)	**-**	-	**(1 249)**	(1 420)
Segment revenue from other segments	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-		-	**-**	-

The Sanlam Personal Finance segment is responsible for Sanlam's retail business in South Africa. It provides clients across all market segments (entry-level, middle-income and affluent) with a comprehensive range of appropriate and competitive financial solutions. Designed to facilitate long-term wealth creation, protection and niche financing, these solutions are engineered around client needs.

The Sanlam Emerging Markets segment is responsible for Sanlam's financial services offering in emerging markets outside South Africa with the aim of ensuring sustainable delivery and growth across the various businesses that make up this cluster.

The Sanlam Investments segment comprises: Sanlam Investment Management, Sanlam Employee Benefits and Sanlam Capital Markets.

The Sanlam Investments segment provides individual and institutional clients in South Africa, the UK and elsewhere in Europe, the USA and Australia access to comprehensive range of specialised investment and risk management expertise.

Santam specialises in short-term (general) insurance producs for a diversified market in South Africa. These products are offered through broker networks and direct sales channels and include personal, commercial, agricultural and specialised insurance products. Santam's international diversification strategy focusses on reinsurance business, specialised insurance products and the role as technical partner and co-investor in SEM's expansion into Africa, India and South-East Asia.

Within the consolidation column the investment in subsidiaries are reversed. Intercompany balances, other investments and term finance between companies within the Group are also consolidated.

Policyholders' assets and liabilities are reflected in the Policyholder segment.

38. SEGMENTAL INFORMATION (continued)

R million	Sanlam Life[1] 2015	2014	Sanlam Emerging Markets 2015	2014	Investment Management 2015	2014	Santam 2015	2014	Consolidation entries 2015	2014	Policyholder activities 2015	2014	Total per Group Statement of Financial Position 2015	2014
Total segment assets	**44 321**	38 725	**21 696**	19 483	**3 542**	3 493	**27 731**	25 209	**2 101**	5 319	**503 362**	461 152	**602 753**	553 381
Total segment liabilities	**10 227**	10 574	**2 278**	3 414	**1 549**	2 108	**19 143**	17 679	**3 112**	7 439	**503 362**	461 152	**539 671**	502 366
Total equity	**34 094**	28 151	**19 418**	16 069	**1 993**	1 385	**8 588**	7 530	**(1 011)**	(2 120)		-	**63 082**	51 015

[1] Includes the operations of Sanlam Personal Finance and Sanlam Employee Benefits as well as discretionary capital held by Sanlam Life.

38.2 Geographical segments

R million	2015	2014
Segment financial services income	**49 662**	45 828
South Africa	**44 523**	41 736
Rest of Africa	**4 307**	3 676
Other international	**832**	416
Non-current assets[2]	**9 010**	10 120
South Africa	**6 993**	6 877
Rest of Africa	**724**	466
Other international	**1 293**	2 777

[2] Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired, other intangibles, deferred acquisition costs and assets of disposal groups classified as held for sale.

R million	Group 2015	Group 2014	Company 2015	Company 2014
39. Impairments				
Impairment of goodwill				
Santam businesses	**47**	69	**-**	-
Botswana Insurance Holdings Limited	**-**	25	**-**	-
Gateway Insurance Company Limited	**94**	-	**-**	-
Sanlam Healthcare Management	**17**	-	**-**	-
Other	**-**	3	**-**	-
Impairments of investments				
MicroEnsure	**-**	25	**-**	-
Santam businesses	**5**	-		-
Total impairments of investments, goodwill and value of business acquired for the year	**163**	122	**-**	-

40. FAIR VALUE DISCLOSURES

Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover assets and liabilities measured at fair value.

Included in **level 1** category are assets and liabilities that are measured by reference to unadjusted, quoted prices in an active market for identical assets and liabilities.

Included in **level 2** category are assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Assets and liabilities measured using inputs that are not based on observable market data are categorised as **level 3**.

R million	Level 1	Level 2	Level 3	Total
Group				
31 December 2015				
Properties	**-**	**-**	**7 752**	**7 752**
Equities and similar securities	**175 883**	**2 121**	**192**	**178 196**
Interest bearing investments	**68 575**	**89 964**	**490**	**159 029**
Structured transactions	**6 391**	**7 788**	**-**	**14 179**
Investment funds	**109 179**	**24 595**	**507**	**134 281**
Trading account assets	**-**	**12 706**	**-**	**12 706**
Cash deposits and similar securities	**23 827**	**11 321**	**-**	**35 148**
Total assets at fair value	**383 855**	**148 495**	**8 941**	**541 291**
Investment contract liabilities	**-**	**249 131**	**846**	**249 977**
Term finance	**2 937**	**32**	**-**	**2 969**
Term finance valued at stock exchange prices	**2 937**	**-**	**-**	**2 937**
Term finance based on internal valuation	**-**	**32**	**-**	**32**
Structured transactions liabilities	**-**	**2 374**	**-**	**2 374**
Trading account liabilities	**-**	**11 584**	**-**	**11 584**
External investors in consolidated funds	**55 142**	**204**	**-**	**55 346**
Total liabilities at fair value	**58 079**	**263 325**	**846**	**322 250**

R million	Level 1	Level 2	Level 3	Total
31 December 2014				
Properties	-	-	7 173	7 173
Equities and similar securities	173 928	2 135	196	176 259
Interest bearing investments	103 978	52 085	396	156 459
Structured transactions	4 653	7 695	-	12 348
Investment funds	97 805	18 409	452	116 666
Trading account assets	-	3 576	-	3 576
Cash deposits and similar securities	18 460	4 946	-	23 406
Total assets at fair value	398 824	88 846	8 217	495 887
Investment contract liabilities	-	220 777	632	221 409
Term finance	3 031	42	-	3 073
Term finance valued at stock exchange prices	3 031	-	-	3 031
Term finance based on internal valuation	-	42	-	42
Structured transactions liabilities	-	766	-	766
Trading account liabilities	-	552	-	552
External investors in consolidated funds	50 233	148	-	50 381
Total liabilities at fair value	53 264	222 285	632	276 181

R million	Level 1	Level 2	Level 3	Total
Company				
31 December 2015				
Properties	**-**	**-**	**6 223**	**6 223**
Equities and similar securities	**68 926**	**1 916**	**89**	**70 931**
Investment in subsidiaries, joint ventures and associates	**14 207**	**-**	**65 354**	**79 561**
Interest bearing investments	**58 531**	**29 986**	**460**	**88 977**
Structured transactions	**4 171**	**6 875**	**-**	**11 046**
Investment funds	**170 779**	**23 495**	**507**	**194 781**
Trading account assets	**-**	**658**	**-**	**658**
Cash deposits and similar securities	**10 436**	**4 915**	**-**	**15 351**
Total assets at fair value	**327 050**	**67 845**	**72 633**	**467 528**
Investment contract liabilities	**-**	**217 796**	**-**	**217 796**
Term finance	**1 938**	**21**	**-**	**1 959**
Term finance valued at stock exchange prices	**1 938**	**-**	**-**	**1 938**
Term finance based on internal valuation	**-**	**21**	**-**	**21**
Loans from subsidiaries			**30 406**	**30 406**
Structured transactions liabilities	**-**	**2 025**	**-**	**2 025**
Total liabilities at fair value	**1 938**	**219 842**	**30 406**	**252 186**

40. FAIR VALUE DISCLOSURES (Continued)
Determination of fair value and fair value hierarchy (continued)

R million	Level 1	Level 2	Level 3	Total
Company (continued)				
31 December 2014				
Properties	-	-	6 120	6 120
Equities and similar securities	74 303	1 217	124	75 644
Investment in subsidiaries, joint ventures and associates	16 199	-	58 749	74 948
Interest bearing investments	67 856	28 427	409	96 692
Structured transactions	3 437	6 133	-	9 570
Investment funds	152 139	17 031	452	169 622
Trading account assets	-	-	-	-
Cash deposits and similar securities	5 102	4 951	-	10 053
Total assets at fair value	319 036	57 759	65 854	442 649
Investment contract liabilities	-	191 255	-	191 255
Term finance	2 007	30	-	2 037
Term finance valued at stock exchange prices	2 007	-	-	2 007
Term finance based on internal valuation	-	30	-	30
Loans from subsidiaries	-	-	29 723	29 723
Structured transactions liabilities	-	616	-	616
Total liabilities at fair value	2 007	191 901	29 723	223 631

Group
Reconciliation of movements in level 3 assets and liabilities measured at fair value

R million
31 December 2015

Assets	**Properties**	**Equities and similar securities**	**Interest bearing investments**	**Investment Funds**	**Total assets**
Balance at 1 January 2015	**7 173**	**196**	**396**	**452**	**8 217**
Total gains/(loss) in statement of comprehensive income	**117**	**24**	**41**	**60**	**242**
Acquisitions/Issues	**328**	**26**	**-**	**2**	**356**
Disposals	**(15)**	**(70)**	**(1)**	**(7)**	**(93)**
Settlements	**-**	**-**	**-**	**-**	**-**
Foreign exchange movements	**160**	**16**	**54**	**-**	**230**
Transfers to owner occupied property	**(11)**	**-**	**-**	**-**	**(11)**
Balance at 31 December 2015	**7 752**	**192**	**490**	**507**	**8 941**

Liabilities	**Investment contract liabilities**	**Structured transactions liabilities**	**Total liabilities**
Balance at 1 January 2015	**632**	**-**	**632**
Total (gains)/loss in statement of comprehensive income	**115**	**-**	**115**
Acquisitions	**-**	**-**	**-**
Disposals	**-**	**-**	**-**
Foreign exchange movements	**99**	**-**	**99**
Balance at 31 December 2015	**846**	**-**	**846**

There were no transfers from level 1 and level 2 during 2015.

R million
31 December 2014

Assets	**Properties**	**Structured transactions**	**Equities and similar securities**	**Interest bearing investments**	**Investment Funds**	**Total assets**
Balance at 1 January 2014	6 672	38	1 656	394	459	9 219
Total gains/(loss) in statement of comprehensive income	55	2	83	34	50	224
Acquisitions/Issues	407	-	24	13	-	444
Disposals	(113)	(40)	(1 570)	(51)	-	(1 774)
Settlements	-	-	-	-	(57)	(57)
Foreign exchange movements	21	-	3	6	-	30
Transfers from owner occupies property	111	-	-	-	-	111
Transfers from level 1 and level 2[(1)]	20	-	-	-	-	20
Balance at 31 December 2014	7 173	-	196	396	452	8 217

[(1)] In the valuations previously performed on these investments, insignificant adjustments were made to the rates used to discount future cash flows. The valuation methodology has been revised and additional unobservable inputs are included, changing the classification.

Liabilities	**Investment contract liabilities**	**Structured transactions liabilities**	**Total liabilities**
Balance at 1 January 2014	767	203	970
Total gains/(loss) in statement of comprehensive income	44	94	138
Acquisitions	129	-	129
Disposals	(317)	(297)	(614)
Foreign exchange movements	9	-	9
Balance at 31 December 2014	632	-	632

40. FAIR VALUE DISCLOSURES (Continued)
Group (continued)

Company
Reconciliation of movements in level 3 assets and liabilities measured at fair value (continued)

R million
31 December 2015

Assets	Properties	Equities and similar securities	Interest bearing investments	Investment funds	Investment in subsidiaries, joint ventures and associates	Total assets
Balance at 1 January 2015	6 120	124	409	452	58 749	65 854
Total gains/(loss) in statement of comprehensive income	(69)	8	51	60	5 836	5 886
Acquisitions	174	-	-	2	769	945
Disposals	-	(43)	-	(7)	-	(50)
Transfer to owner occupied properties	(2)	-	-	-	-	(2)
Balance at 31 December 2015	6 223	89	460	507	65 354	72 633

Liabilities	Loans from subsidiaries	Total liabilities
Balance at 1 January 2015	29 723	29 723
Net issues	683	683
Balance at 31 December 2015	30 406	30 406

R million
31 December 2014

Assets	Properties	Equities and similar securities	Interest bearing investments	Investment funds	Investment in subsidiaries, joint ventures and associates	Total assets
Balance at 1 January 2014	5 491	220	530	403	54 192	60 836
Total gains/(loss) in statement of comprehensive income	(52)	24	41	49	(12)	50
Acquisitions	661	-	7	-	5 158	5 826
Disposals	-	(120)	(50)	-	(589)	(759)
Transfer from owner occupied properties	20	-	-	-	-	20
Transfers to level 1 and level 2[1]	-	-	(119)	-	-	(119)
Balance at 31 December 2014	6 120	124	409	452	58 749	65 854

[1] In the valuations previously performed on these investments, insignificant adjustments were made to the rates used to discount future cash flows. The valuation methodology has been revised and additional unobservable inputs are included, changing the classification.

Liabilities	Loans from subsidiaries	Total financial liabilities
Balance at 1 January 2014	29 530	29 530
Net issues	193	193
Balance at 31 December 2014	29 723	29 723

Gains and losses (realised and unrealised) included in profit and loss

	Group		Company	
R million	**2015**	**2014**	**2015**	**2014**
Total gains or losses included in profit or loss for the period	127	86	5 886	50
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	(37)	167	5 886	50

Transfers between categories
R million

Assets	Equities and similar securities	Interest bearing investments	Structured transactions	Investment funds	Cash, deposits and similar securities	Total financial assets
Group						
2015						
Transfer from level 1 to level 2	**-**	**2 603**	**-**	**-**	**1 331**	**3 934**
Transfer from level 2 to level 1	**-**	**313**	**142**	**469**	**153**	**1 077**
2014						
Transfer from level 1 to level 2	-	-	106	380	36	522
Transfer from level 2 to level 1	-	-	-	-	-	-

Investments traded in a market that became inactive during the year have been transferred from level 1 to level 2. Conversely, investments traded in a market that became active have been transferred from level 2 to level 1.

40. FAIR VALUE DISCLOSURES (Continued)

Transfers between categories
R million

Assets	Equities and similar securities	Interest bearing investments	Structured transactions	Investment funds	Cash, deposits and similar securities	Total assets
Company						
2015						
Transfer from level 1 to level 2	-	2 451	-	-	1 243	3 694
Transfer from level 2 to level 1	-	75	-	106	-	181
2014						
Transfer from level 1 to level 2	-	-	-	-	-	-
Transfer from level 2 to level 1	-	-	-	-	-	-

Valuation techniques used in determining the fair value of assets and liabilities

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant Unobservable input
Properties	3	Discounted cash flow model (DCF), Earnings multiple	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Capitalisation rate Discount rate
Equities and similar securities	2 and 3	DCF, Earnings multiple	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Cost of Capital Earnings multiple
Investment in subsidiaries, joint ventures and associates (including loans from subsidiaries)	3	DCF, Earnings multiple	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Cost of Capital Earnings multiple
Interest-bearing investments (including insurance policies)	2 and 3	DCF, Earnings multiple, Quoted put/surrender price by issuer	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Earnings multiple
Trading account assets and liabilities	2	DCF	Forward rate Credit risk spread Liquidity spread	n/a
Investment contract liabilities and investment funds	2 and 3	Current unit price of underlying unitised financial asset, multiplied by the number of units held DCF Earnings multiple	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index Bond interest rate curve	Earnings Multiple n/a
Term finance	2	DCF	Bond & forward rate Credit ratings of issuer Liquidity spread Agreement interest curves	n/a
Structured transactions asset and liabilities	2	Option pricing models DCF	Bond and interbank swap interest rate curve Forward equity and currency rates Volatility risk adjustments	n/a
External investors in consolidated funds	2	Current unit price of underlying unitised financial asset, multiplied by the number of units held	Based on underlying assets as discussed above	n/a
Cash ,deposits and similar securities	2	Mark-to-market Yield curve	Bond and interbank swap interest rate curve	n/a

Sensitivity of level 3 assets and liabilities measured at fair value to changes in key assumption

Group

Assets

R million	Carrying amount [(1)]	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount [(1)]	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base / capitalisation rate
Properties						
2015						
Cashflow risk adjustments	**7 752**	**(775)**	**775**			
Cost of Capital				**6 849**	**(242)**	**261**
Capitalisation				**6 849**	**(350)**	**427**
2014						
Cashflow risk adjustments	7 173	(717)	717			
Cost of Capital				7 173	(254)	271
Capitalisation				7 173	(364)	445

[(1)] Investment properties comprise a majority of Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs.

40. FAIR VALUE DISCLOSURES (Continued)

Sensitivity of level 3 assets and liabilities measured at fair value to changes in key assumption

Group

Assets

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2015						
Equities and similar securities	**165 [1]**	**17**	**(17)**	**27 [2]**	**(1)**	**1**
Investment Funds	**507**	**51**	**(51)**	**-**	**-**	**-**
Interest bearing investments	**490**	**49**	**(49)**	**-**	**-**	**-**
Other investments	**1 162**	**117**	**(117)**	**27**	**(1)**	**1**
2014						
Other investments						
Equities and similar securities	129 [1]	13	(13)	67 [2]	(3)	3
Investment Funds	452	45	(45)	-	-	-
Interest-bearing investments	396	40	(40)	-	-	-
Other investments	977	98	(98)	67	(3)	3

[1] Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.

[2] Represents mainly instruments valued on a discounted cash flow basis, with sensitivities based on changes in the discount rate.

Liabilities

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
2015						
Investment contract liabilities	**846**	**85**	**(85)**			
Derivative liabilities	**-**	**-**	**-**	-	-	-
Liabilities	**846**	**85**	**(85)**	-	-	-
2014						
Investment contract liabilities	632	63	(63)	-	-	-
Liabilities	632	63	(63)	-	-	-

Company

31 December 2015

R million	Carrying amount	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount [1]	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base / capitalisation rate
Properties						
2015						
Cashflow risk adjustments	**6 223**	**(622)**	**622**			
Cost of Capital				**6 223**	**(221)**	**235**
Capitalisation				**6 223**	**(332)**	**406**
2014						
Cashflow risk adjustments	6 120	(612)	612			
Cost of Capital				6 120	(253)	270
Capitalisation				6 120	(362)	442

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2015						
Equities and similar securities	**89 [2]**	**9**	**(9)**	**-**	**-**	**-**
Interest bearing investments	**460**	**46**	**(46)**	**-**	**-**	**-**
Investment in subsidiaries, joint ventures and associates	**-**	**-**	**-**	**65 354 [4]**	**(2 044)**	**2 922**
Investment funds	**507**	**51**	**(51)**	**-**	**-**	**-**
Structured transactions						
Assets	**1 056**	**106**	**(106)**	**65 354**	**(2 044)**	**2 922**
Other investments						
2014						
Equities and similar securities	81 [2]	8	(8)	43 [3]	(3)	3
Interest bearing investments	409	41	(41)	-	-	-
Investment in subsidiaries, joint ventures and associates	3 701 [4]	370	(370)	55 048 [4]	(1 710)	786
Investment funds	452	45	(45)	-	-	-
Assets	4 643	464	(464)	55 091	(1 713)	789

[1] Investment properties comprise a majority of Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs.

[2] Represents mainly private equity investments valued on earnings multiple, with sensitivities based on changes in multiples applied to earnings.

[3] Represents mainly instruments valued on a discount cash flow basis, with sensitivities based on changes in the discount rate.

[4] Subsidiaries that conduct life insurance business are valued at embedded value and other subsidiaries are valued at DCF. Sensitivities for life insurance subsidiaries have been calculated as a 1% increase/decrease of the rate that is used to discount the value of in-force business.

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
2015						
Loans from subsidiaries	**30 406**	**3 041**	**(3 041)**	-	-	-
Liabilities	**30 406**	**3 041**	**(3 041)**	-	-	-

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
2014						
Loans from subsidiaries	29 723	2 972	(2 972)	-	-	
Liabilities	29 723	2 972	(2 972)	-	-	-

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

Group

31 December 2015

R million	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not set off in the statement of financial position: Other Financial instruments (1)	Related amounts not set off in the statement of financial position: Cash collateral received (2)	Net amount	Amounts not set off in the statement of financial position (3)	Total amounts recognised in the statement of financial position
Financial Assets								
Structured Transactions (4)	1 466	(1 130)	336	-	-	336	13 843	14 179
Financial Liabilities								
Structured Transactions (4)	2 505	(1 720)	785	-	-	785	1 589	2 374

Group

31 December 2014

R million	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not set off in the statement of financial position: Other Financial instruments (1)	Related amounts not set off in the statement of financial position: Cash collateral received (2)	Net amount	Amounts not set off in the statement of financial position (3)	Total amounts recognised in the statement of financial position
Financial Assets								
Structured Transactions (4)	1 857	(1 465)	392	-	-	**392**	**11 956**	**12 348**
Financial Liabilities								
Structured Transactions (4)	2 240	(1 918)	322	-	-	**322**	**444**	**766**

Company

31 December 2015

R'million	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not set off in the statement of financial position: Other Financial instruments (1)	Related amounts not set off in the statement of financial position: Cash collateral received (2)	Net amount	Amounts not set off in the statement of financial position (3)	Total amounts recognised in the statement of financial position
Financial Assets								
Structured Transactions (4)	1 466	(1 130)	336	-	-	336	10 710	11 046
Financial Liabilities								
Structured Transactions (4)	2 505	(1 720)	785	-	-	785	1 240	2 025

31 December 2014

R million	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not set off in the statement of financial position: Other Financial instruments (1)	Related amounts not set off in the statement of financial position: Cash collateral received (2)	Net amount	Amounts not set off in the statement of financial position (3)	Total amounts recognised in the statement of financial position
Financial Assets								
Structured Transactions (4)	1 857	(1 465)	392	-	-	392	9 178	9 570
Financial Liabilities								
Structured Transactions (4)	2 240	(1 918)	322	-	-	392	294	616

(1) The figures for other financial instruments column are made up of ISDA netting, CSA Collateral, Repo's and Script Received. These amounts have been limited to the net amount recognised on the statement of financial position.

(2) Amount used is the lower of collateral received or the value of the financial assets (normally latter due to over-collateralisation).

ISDA netting refers to the netting of derivative exposures to arrive at the net amount owed to and by each counterparty as envisaged in the ISDA agreements with these counterparties.

Credit Support Agreements (CSA) have been signed with derivative counterparties to place collateral to offset the net exposures in footnote 1.

Scrip lending agreements are governed by GMSLA agreements in terms of which the collateral provided and the scrip received can be netted.

Security / Collateral received refers to equity collateral that that has been pledged to SCM to cover events of default.

(3) Excludes enforceable netting arrangements.

(4) Structured transactions liabilities include derivate liabilities.

Sanlam Life Insurance Limited
Principal Subsidiaries
at 31 December 2015

			Fair value of interest in subsidiaries			
	Country of		Equities		Loans *	
	incorporation	% interest	2015 R million	2014 R million	2015 R million	2014 R million
Investment companies #						
U.R.D. Beleggings (Pty) Limited	RSA	100	21 819	21 738	(20 836)	(20 139)
Status Beleggings (Pty) Limited	RSA	100	406	406	(403)	(406)
Property investment company #						
Anson Holdings (Pty) Limited	RSA	100	-	-	6 **	20 **
Jane Furse Plaze (Pty) Limited	RSA	-	-	-	-	-
Rycklof Beleggings (Pty) Limited	RSA	100	1 469	1 472	(1 462)	(1 456)
San Lameer (Pty) Ltd	RSA	100	11	10	(6)	(6)
Acornhoek Plaza Share Block (Pty) Limited	RSA	-	-	-	-	-
Kwagga Plaza Share Block (Pty) Limited	RSA	-	-	-	-	-
Speculation company in negotiable securities #						
Edimed (Pty) Ltd	RSA	100	76	78	(76)	(72)
Asset Management +						
Sanlam Investment Management (Pty) Limited	RSA	100	3 990	3 352	274	231
Credit provider +						
Anglo African Finance (Pty) Limited	RSA	55	25	60	-	-
Linked Investment Service Provider +						
Sanlam Linked Investments (Pty) Limited	RSA	100	-	-	77 **	72 **
Trust services +						
Sanlam Trust (Pty) Limited	RSA	100	229	306	(18)	(23)
Administration Services +						
Completemed Healthcare Consultants (Pty) Ltd	RSA	100	-	-	1	1
Sanlam Healthcare Management (Pty) Limited	RSA	100	86	84	-	-
Infinit Group Risk Solutions (Pty) Limited	RSA	100	-	-	-	-
Life Insurance						
Safrican Insurance Company Limited $	RSA	100	697	564	3	8
Sanlam Life Namibia Limited $	Namibia	100	2 089	1 768	108	51
Sanlam Namibia Holdings Limited + $	Namibia	(1)	605	567	-	-
Sanlam Customised Insurance Limited $	RSA	100	-	-	-	-
Sanlam Developing Markets Limited $	RSA	100	8 596	7 742	35	147
Channel Life Limited $	RSA	100	995	844	10	5
Sanlam Emerging Markets (Pty) Limited + $	RSA	100	14 252	10 630	69	(80)
Short-term insurance ^						
Santam Limited	RSA	59	12 850	14 828	(63)	2
Dormant companies #						
Coris Capital Holdings (Pty) Limited	RSA	100	-	-	56	61
Sankorp (Pty) Limited	RSA	100	701	701	(701)	(701)
Electra Investments (South Africa) (Pty) Limited	RSA	100	6 306	6 306	(6 306)	(6 306)
Electra Share Ventures (Pty) Limited	RSA	100	532	532	(532)	(532)
Other			-	-	2	(4)
Total			75 734	71 988	(29 762)	(29 127)

A register of all subsidiary companies is available for inspection at the registered office of Sanlam Life Insurance Limited.

(1) Sanlam Life Insurance Ltd holds a 35% interest directly and a 19% holding indirectly in Sanlam Namibia Holdings Ltd.

* Except for Anson Holdings (Proprietary) Limited, loans are unsecured and are repayable on demand. No interest is charged but these arrangements are subject to revision from time to time.

** The company has subordinated its claim against certain subsidiaries in favour of other creditors of the subsidiary until such time as the subsidiaries assets fairly valued exceed its liabilities.

\# The valuations of these unlisted entities are based on the fair values of the underlying net assets.

\+ These non-life valuations are determined and approved by Sanlam Non-Listed Asset Controlling Board.

$ The valuations of the life businesses are based on embedded value.

^ The fair value of Santam is based on the listed share price.

Principal Subsidiaries (continued)

Analysis of the company's holdings in subsidiaries with significant non-controlling interests:

	Santam Limited		MCIS Insurance (1)		Botswana Insurance Holdings Limited (2)	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	%	%	**%**	%	**%**	**%**
Shareholder's fund	**61,58**	59,20	**51,00**	51,00	**60,44**	60,39
Policyholder's fund	**0,43**	2,14	**-**	-	**-**	-
Non-controlling interest	**37,99**	38,66	**49,00**	49,00	**39,56**	39,61 (4)
Total	**100,00**	100,00	**100,00**	100,00	**100,00**	100,00

R million	Santam Limited 2015	Santam Limited 2014	MCIS Insurance (1) 2015	MCIS Insurance (1) 2014	Botswana Insurance Holdings Limited (2) 2015	Botswana Insurance Holdings Limited (2) 2014
Summarised statement of profit or loss for the year ending 31 December:						
Net income	**21 438**	19 272	**1 367**	690	**5 538**	3 598
Net insurance and investment contract benefits and claims	**(11 520)**	(10 886)	**(635)**	(351)	**(4 035)**	(2 383)
Expenses	**(6 551)**	(6 060)	**(653)**	(268)	**(823)**	(705)
Share of profit of associates and joint ventures	**91**	130	**-**	-	**237**	259
Profit before tax	**3 458**	2 456	**79**	71	**917**	769
Income tax	**(878)**	(641)	**(49)**	(35)	**(158)**	(132)
Discontinued Operations	**-**	-	**123**	-	**-**	-
Profit for the year	**2 580**	1 815	**153**	36	**759**	637
Total comprehensive income	**2 626**	1 623	**247**	37	**1 028**	633
Attributable to non-controlling interests	**1 102**	701	**175**	20	**500**	238
Dividends paid to non-controlling interests	**442**	370	**239**	24	**142**	100
Summarised statement of financial position as at 31 December:						
Assets						
Investments	**10 670**	9 557	**15 047**	14 007	**17 955**	17 078
Other non-current assets	**1 106**	1 387	**1 134**	1 142	**391**	176
Non-current assets held for sale	**540**	427	**-**	1 466	**-**	-
Other current assets	**-**	-	**-**	-	**4**	5
Cash and cash equivalents (current)	**7 489**	6 854	**105**	7	**1 482**	812
Trade and other receivables (current)	**3 624**	2 871	**414**	288	**310**	248
Liabilities						
Policyholder liabilities	**-**	-	**(13 704)**	(12 449)	**(15 357)**	(14 357)
Other non-current liabilities	**(1 979)**	(1 949)	**-**	-	**-**	-
Non-current liabilities held for sale	**-**	-	**-**	(1 466)	**-**	-
Deferred tax (non-current)	**63**	(120)	**(49)**	(98)	**(26)**	(41)
Other current liabilities	**(9 247)**	(8 721)	**(5)**	(8)	**(24)**	(31)
Trade and other payables (current)	**(3 696)**	(2 776)	**(1 041)**	(779)	**(605)**	(555)
Total equity	**8 570**	7 530	**1 901**	2 110	**4 130**	3 335
Attributable to:						
Equity holders of the parent	**5 136**	4 443	**961**	1 077	**2 518**	2 049
Non-controlling interest	**3 452**	3 087	**940**	1 033	**1 612**	1 286
Summarised statement of cash flows for the year ending 31 December:						
Operating	**2 544**	1 930	**(1 645)**	105	**(1 972)**	1 122
Investing	**(276)**	(989)	**1 368**	(507)	**2 476**	(1 033)
Financing	**(1 760)**	(795)	**-**	-	**-**	-
Net increase/(decrease) in cash and cash equivalents	**508**	146	**(277)**	(402)	**504**	89

(1) The financial information of MCIS Insurance, incorporated and operating in Malaysia.
(2) The financial information of Botswana Insurance Holdings Limited, incorporated and operating mainly in Botswana.
(3) The financial information of Sanlam, incorporated and operating mainly in South Africa, which has a material non-controlling interest has been summarised above. This information is provided based on amounts before inter-company eliminations.
(4) Botswana Insurance Holdings Limited treasury shares were included as policyholders fund in 2014.

Sanlam Life Insurance Limited
Related Parties
for the year ended 31 December 2015

Company Name	% interest held by Sanlam Life Insurance Ltd in company(*)	Country of registration
SUBSIDIARIES*		
Anglo African Finance (Pty) Ltd	55%	RSA
Anson Holdings (Pty) Ltd	100%	RSA
Channel Life Ltd	100%	RSA
Completemed Healthcare Consultants (Pty) Ltd	100%	RSA
Coris Capital Holdings (Pty) Ltd	100%	RSA
Echelon Distribution Services (Pty) Ltd	100%	RSA
Edimed (Pty) Ltd	100%	RSA
Electra Investments (South Africa) (Pty) Ltd	100%	RSA
Electra Share Ventures (Pty) Ltd	100%	RSA
Infinit Group Risk Solutions (Pty) Ltd	100%	RSA
Phoenix Industriële Park (Pty) Ltd	100%	RSA
Rheezicht Investments (Pty) Ltd	100%	RSA
Rycklof-Beleggings (Pty) Ltd	100%	RSA
Safrican Insurance Company Ltd	100%	RSA
Sankorp (Pty) Ltd	100%	RSA
Sanlam Developing Markets Ltd	100%	RSA
Sanlam Emerging Markets (Pty) Ltd	100%	RSA
Sanlam Endowment Options (Pty) Ltd	100%	RSA
Sanlam Fundshares Nominee (Pty) Ltd	100%	RSA
Sanlam Healthcare Distribution Services (Pty) Ltd	100%	RSA
Sanlam Healthcare Management (Pty) Ltd	100%	RSA
Sanlam Home Solutions (Pty) Ltd	100%	RSA
Sanlam Investment Management (Pty) Ltd	100%	RSA
Sanlam Life Namibia Ltd	100%	Namibia
Sanlam Linked Investments (Pty) Ltd	100%	RSA
Sanlam Namibia Holdings Ltd	35%	Namibia
Sanlam Share Account Nominee (Pty) Ltd	100%	RSA
Sanlam STI Administration (Pty) Ltd	100%	RSA
Sanlam Swaziland (Pty) Ltd	100%	Swaziland
Sanlam Trust (Pty) Ltd	100%	RSA
Sanlam Umbrella Fund Administrators (Pty) Ltd	100%	RSA
San Lameer (Pty) Ltd	100%	RSA
Santam Ltd	59%	RSA
Solutions Service Provider for Alfinanz (Pty) Ltd	50%	RSA
Status Beleggings (Pty) Ltd	100%	RSA
Succession Financial Planning Advisory Services (Pty) Ltd	100%	RSA
U.R.D. Beleggings (Pty) Ltd	100%	RSA
ASSOCIATES*		
AfroCentric Healthcare Assets (Pty) Ltd	29%	RSA
IFAnet Independent Distribution Services (Pty) Ltd	24%	RSA
Shriram Transport Finance Company Limited	3%	India
Uyanda STI Careers (Pty) Ltd	26%	RSA
JOINT VENTURES*		
Indwe Broker Holdings (Pty) Ltd	25%	RSA
Sanlam Personal Loans (Pty) Ltd	70%	RSA

*Percentage interest held directly by the company

Company Name	% interest held by Sanlam Life Insurance Ltd in company	Country of registration
INVESTMENT VEHICLES		
Sanlam Global Fund of Hedge Funds	100%	Ireland
Sanlam Global Fund of Hedge Funds Designated Class A	99%	Ireland
Blue Ink Alpha Engine Fund LLP	100%	RSA
Blue Ink Bond Fund en Commandite Partnership	100%	RSA
Blue Ink Commodity LLP	71%	RSA
Blue Ink Evergreen LLP	92%	RSA
Blue Ink Fixed Income Special Fund Opportunities	85%	RSA
Blue Ink Multi Strategy Funds Of Hedge Funds One	100%	RSA
Blue Ink Multi Strategy Funds Of Hedge Funds Two	100%	RSA
Blue Ink Portable Alpha Fund	100%	RSA
Blue Ink Sanlam Equity Long Short Fund LLP	96%	RSA
Blue Ink Sanlam Multi Strategy Fund LLP	99%	RSA
Blue Ink-Ubator Diversified Fund	100%	RSA
Yellowwood Fund	100%	RSA
Sanlam Beta Hedge Portfolio Fund	100%	RSA
Sanlam Enhanced Cash Fund	96%	RSA
Sanlam Fixed Income Arbitrage Fund	48%	RSA
First Avenue Sanlam Collective Investments Equity Fund	76%	RSA
Glacier Money Market Fund Class	45%	RSA
Graviton Sanlam Collective Investments Balanced Fund	82%	RSA
Graviton Sanlam Collective Investments Capital Growth Fund	30%	RSA
Graviton Sanlam Collective Investments Flexible Income Fund	93%	RSA
Graviton Sanlam Collective Investments Low Equity Fund	94%	RSA
Sanlam Global Balanced Fund of Funds	38%	RSA
Sanlam Global Cautious Fund of Funds	26%	RSA
Sanlam Growth Institutional Fund	97%	RSA
Sanlam Institutional Special Opportunities Fund	93%	RSA
Sanlam Multi Managed Aggressive Fund of Funds	70%	RSA
Sanlam Multi Managed Cautious Fund of Funds	65%	RSA
Sanlam Multi Managed Conservative Fund of Funds	55%	RSA
Sanlam Multi Managed Defensive Fund of Funds	45%	RSA
Sanlam Multi Managed Equity Fund	100%	RSA
Sanlam Multi Managed Equity Index Fund	59%	RSA
Sanlam Multi Managed Inflation Linked Bond Fund	86%	RSA
Sanlam Multi Managed Institutional Aggressive Equity Fund One	95%	RSA
Sanlam Multi Managed Institutional All Bond Fund One	54%	RSA
Sanlam Multi Managed Institutional All Bond Fund Three	100%	RSA
Sanlam Multi Managed Institutional Balanced Fund of Funds	47%	RSA
Sanlam Multi Managed Institutional Bond Fund	91%	RSA
Sanlam Multi Managed Institutional General Equity Fund One	92%	RSA
Sanlam Multi Managed Institutional General Equity Fund Two	83%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Four	54%	RSA
Sanlam Multi Managed Institutional Positive Return Fund One	53%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Three	53%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Two	65%	RSA
Sanlam Multi Managed Institutional Prudential Balanced Fund One	72%	RSA
Sanlam Multi Managed Institutional Prudential Income Provider Fund One	21%	RSA
Sanlam Multi Managed Institutional Prudential Income Provider Fund Two	67%	RSA
Sanlam Multi Managed Institutional Prudential Low Equity One	92%	RSA
Sanlam Multi Managed Moderate Aggressive Fund of Funds	59%	RSA
Sanlam Multi Managed Moderate Fund of Funds	75%	RSA
Sanlam Multi Managed Property Fund	79%	RSA
Sanlam Multi Managed Protection Solution 3 Fund of Funds	37%	RSA
Sanlam Multi Managed Yield Plus Fund	99%	RSA
Sanlam Select Absolute Fund	51%	RSA
Sanlam Select Managed Fund	100%	RSA

Sanlam Select Thematic Equity Fund	98%	RSA
Sanlam Stable Growth Fund	100%	RSA
Sanlam Value Institutional Fund	100%	RSA
Satrix ALSI Index Fund	63%	RSA
Satrix Balanced Index Fund	48%	RSA
Satrix Bond Index Fund	59%	RSA
Satrix Low Equity Balanced Index Fund	35%	RSA
Satrix Momentum Index Fund	28%	RSA
Satrix MSCI World Equity Index Feeder Fund	24%	RSA
Satrix Property Index Fund	50%	RSA
Satrix Quality Index Fund	96%	RSA
Satrix SWIX Top40 Index Fund	100%	RSA
SIM Absolute Return Income Fund	71%	RSA
SIM Active Income Fund	44%	RSA
SIM balanced Fund	64%	RSA
SIM Bond Plus Fund	94%	RSA
SIM Enhanced Yield Fund	59%	RSA
SIM Financial Fund	21%	RSA
SIM General Equity Fund	44%	RSA
SIM Global Best Ideas Feeder Fund	29%	RSA
SIM Global Equity Income Feeder Fund	36%	RSA
SIM Inflation Plus Fund	45%	RSA
SIM Low Equity Fund	36%	RSA
SIM Managed Aggressive Fund of Funds	80%	RSA
SIM Managed Cautious Fund of Funds	70%	RSA
SIM Managed Conservative Fund of Funds	59%	RSA
SIM Managed Moderate Aggressive Fund of Funds	78%	RSA
SIM Managed Moderate Fund of Funds	82%	RSA
SIM Market Allocator Fund	73%	RSA
SIM Property Fund	88%	RSA
SIM Small Cap Fund	27%	RSA
SIM Top Choice Equity Fund	83%	RSA
SIM Value Fund	49%	RSA
SPI Equity Fund	38%	RSA
BIFM Global Fixed Income Fund	91%	Ireland
BIFM World Equity Fund	42%	Ireland
Centre Global Equity Fund	68%	Ireland
Sanlam Africa Equity Fund	97%	Ireland
Sanlam African Frontiers Markets Fund	38%	Ireland
Sanlam Centre Multi Asset Real Return Feeder Fund	100%	Ireland
Sanlam Credit Income Fund	100%	Ireland
Sanlam Equity Allocation Fund	96%	Ireland
Sanlam EUR Liquidity Fund	100%	Ireland
Sanlam Europe (Ex-UK) Equity Tracker Fund	57%	Ireland
Sanlam FOUR Active European ex	33%	Ireland
Sanlam FOUR Global Equity Fund	29%	Ireland
Sanlam FOUR Multi-Strategy Fun	25%	Ireland
Sanlam FOUR Stable Global Equi	95%	Ireland
Sanlam FOUR US Dividend Income Fund	79%	Ireland
Sanlam GBP Liquidity Fund	100%	Ireland
Sanlam Global Balanced Fund	91%	Ireland
Sanlam Global Best Ideas Feeder Fund	97%	Ireland
Sanlam Global Best Ideas Universal Fund	36%	Ireland
Sanlam Global Bond Fund	52%	Ireland
Sanlam Global Equity Fund	100%	Ireland
Sanlam Global Property Fund	32%	Ireland
Sanlam Institutional Balanced Fund	98%	Ireland
Sanlam Institutional Bond Fund	97%	Ireland
Sanlam Institutional Equity Flexible Fund	96%	Ireland
Sanlam UK Equity Tracker Fund	56%	Ireland
Sanlam USD Liquidity Fund	75%	Ireland
Sanlam World Equity Fund	85%	Ireland
Sanlam World Equity Tracker Fund	27%	Ireland
SIIP India Opportunities Fund	42%	Ireland
SIM Global Emerging Markets Fund A	98%	Ireland

STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES AT 31 DECEMBER 2015

R million	Notes	**Dec 2015**	Dec 2014
Assets			
Fair value of assets	**1**	**452 324**	426 856
Less : Liabilities		**374 354**	358 700
Actuarial value of policy liabilities		**358 214**	340 059
Investment contracts		**217 796**	191 255
Insurance contracts		**140 418**	148 804
Long-term and current liabilities		**16 140**	18 641
Excess of assets over liabilities for financial reporting		**77 970**	68 156
Adjustment for prudential regulatory purposes	**2**	**(32 176)**	(33 034)
Unsecured subordinated bond	**3**	**2 007**	2 075
Excess of assets over liabilities for prudential regulatory purposes		**47 801**	37 197
Analysis of movement in excess of assets over liabilities			
Result from financial services before tax		**3 670**	3 284
Investment return on excess of assets over liabilities		**7 558**	10 742
Investment income		**3 611**	4 935
Realised and unrealised investment surpluses		**3 947**	5 807
Other		**-**	(1 182)
Minority Interest		**-**	-
Taxation		**(1 414)**	(1 280)
Income tax		**(1 339)**	(1 085)
Capital gains tax		**(75)**	(195)
Secondary tax on companies		**-**	-
Attributable earnings before dividends paid	**4**	**9 814**	11 564
Dividends paid		**-**	(3 950)
Movement in excess of assets over liabilities for financial reporting		**9 814**	7 614
Capital adequacy requirements			
Capital adequacy requirements (CAR) before management actions		**15 150**	12 650
Management actions assumed	**5**	**(6 900)**	(4 325)
CAR after management actions assumed		**8 250**	8 325
Times CAR covered by excess of assets over liabilities for prudential regulatory purposes		**5.8**	4.5

NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES
AT 31 DECEMBER 2015

1. FAIR VALUE OF ASSETS

Assets have been valued on the bases as set out before, apart from equity investments in treasury shares and Group subsidiaries, associated companies and joint ventures, which are valued at fair value.

2. ADJUSTMENT FOR PRUDENTIAL REGULATORY PURPOSES

	Dec 2015 R million	Dec 2014 R million
Total adjustment	**(32 176)**	(33 034)
Adjustment for life insurance Group undertakings (including capital requirements after adjustment for minority interests)	**(12 921)**	(11 642)
Sanlam Developing Markets	**(6 695)**	(6 253)
Sanlam Emerging Markets	**(4 029)**	(3 309)
Other	**(2 197)**	(2 080)
Adjustment for other Group undertakings	**(11 361)**	(12 281)
Sanlam Investment Management	**(3 323)**	(2 694)
Santam	**(7 565)**	(8 943)
Other	**(473)**	(644)
Shares held in holding company	**(7 045)**	(8 119)
Inadmissable assets	**(849)**	(992)

3. UNSECURED SUBORDINATED BONDS

	Dec 2015 R million	Dec 2014 R million
The unsecured subordinated bonds reconcile as follows to the annual financial statements:	**2 007**	2 075
Unsecured subordinated bonds	**1 938**	2 007
Accrued interest	**69**	68

4. ATTRIBUTABLE EARNINGS

Attributable earnings reconcile as follows to the annual financial statements:

	Dec 2015 R million	Dec 2014 R million
Attributable earnings per company income statement	**9 814**	12 746
Adjustment of goodwill to fair value	**-**	(1 182)
Attributable earnings per Statement of Actuarial Values of Assets and Liabilities:	**9 814**	**11 564**

5. MANAGEMENT ACTIONS

	Dec 2015 R million	Dec 2014 R million
The following management actions were assumed in the calculation of the capital adequacy requirements:		
Reduction in non-vested bonuses	**372**	268
Reduction in future bonus rates	**4 751**	3 026
Capitalisation of proportion of expected future profits held as discretionary margins	**389**	105
Reduction in grossing up of the assets covering CAR & other	**1 388**	926
Total management actions	**6 900**	**4 325**
	%	%
The average change in non-vested bonuses for Reversionary Bonus type business	**-3.0**	-2.0
The average change in future bonus rates below expected long-term rates, for three years	**-4.0**	-2.0

6. ASSET COMPOSITION

	Dec 2015 %	Dec 2014 %
The assets backing the capital adequacy requirements after management actions were invested as follows:		
Cash	**15.0**	70.0
Fixed-interest securities	**25.0**	30.0
Hedged equities	**60.0**	-
Total	**100.0**	100.0

NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES
AT 31 DECEMBER 2015 (continued)

7. FUTURE INVESTMENT RETURN AND INFLATION ASSUMPTIONS

	Dec 2015 %	Dec 2014 %
Pre-tax investment returns by major asset categories and inflation assumptions were as follows:		
Fixed-interest securities	**10.1**	8.1
Equities and offshore investments	**13.6**	11.6
Hedged equities	**10.6**	8.6
Properties	**11.1**	9.1
Cash	**9.1**	7.1
Future expense inflation (excluding margin)	**8.1**	6.1
Consumer price index inflation for premium indexation	**8.1**	6.1

8. DISCOUNT RATES USED IN CALCULATING PROSPECTIVE POLICY LIABILITIES

	Dec 2015 %	Dec 2014 %
Reversionary bonus business		
Retirement annuity business	**11.8**	9.8
Individual policyholder business	**10.0**	8.3
Individual stable bonus business		
Retirement annuity business	**11.5**	9.5
Individual policyholder business	**9.6**	8.0
Non-taxable business	**11.5**	9.5
Corporate policyholder business	**9.1**	7.5
Individual market-related business		
Retirement annuity business	**11.8**	9.8
Individual policyholder business	**10.0**	8.3
Non-taxable business	**11.8**	9.8
Corporate policyholder business	**9.4**	7.8
Participating annuity business	**10.0**	8.0
Non-participating annuity business*	**10.4**	8.6
Guarantee plans*	**6.4**	6.5

* The calculation of policy liabilities is based on discount rates derived from the zero-coupon yield curve. This is the average rate that produces the same result.

9. RESULT FROM FINANCIAL SERVICES

R million	**Dec 2015 R million**	Dec 2014 R million
A number of changes were made to the valuation methodology and assumptions, with the following effect on the result from operations.	**(102)**	(125)
Change in best estimate lapse assumption	**(78)**	191
Change in best estimate risk assumption	**122**	89
Change in best estimate expense assumption	**(276)**	(1 301)
Change in roll-up rate of guarantee premiums	**-**	-
Change in methodology	**380**	2
Release of tax provision, NPA build-up reserve, TCPP accumulated profits, SEB IBNR change	**-**	894
Increase in SBR IGR reserve	**(250)**	
Unexplained	**-**	-

10. MARKET CONSISTENT STOCHASTIC MODEL USED IN RESERVING FOR EMBEDDED INVESTMENT DERIVATES

Monte Carlo simulation techniques were used in the calculation of the liabilities in respect of embedded investment derivatives. This was done using the output of a market-consistent stochastic model, which was calibrated as at 31 December 2014.

	Dec 2015 %	Dec 2014 %
This stochastic model was used to price the following option contracts. (Prices are expressed as percentages of the nominal)		
A 1-year at-the-money (spot) put on the FTSE/JSE TOP40 index.	**6.2**	6.1
A 1-year 80% at-the-money (80% spot) put on the FTSE/JSE TOP40 index	**1.8**	1.7
A 1-year forward put on the FTSE/JSE TOP40 index.	**8.0**	7.5
A 5-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**7.4**	10.0
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot	**12.8**	16.6
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot, on an underlying index constructed as 60% FTSE/JSE TOP40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually	**5.4**	8.2
A 5-year forward put on the FTSE/JSE TOP40 index	**17.9**	18.4
A 20-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**2.6**	4.6
A 20-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^{20}$ of spot	**8.8**	15.2
A 20-year put based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put, which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than this strike	**0.3**	0.4
A 20-year forward put on the FTSE/JSE TOP40 index	**31.2**	30.9
The implied volatilities of these option contracts are as follows:		
A 1-year at-the-money (spot) put on the FTSE/JSE TOP40 index.	**21.8**	20.1
A 1-year 80% at-the-money (80% spot) put on the FTSE/JSE TOP40 index	**26.6**	24.9
A 1-year forward put on the FTSE/JSE TOP40 index.	**20.8**	19.3
A 5-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**25.6**	25.9
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot	**24.3**	24.1
A 5-year forward put on the FTSE/JSE TOP40 index	**23.2**	23.7
A 20-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**34.4**	33.4
A 20-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^{20}$ of spot	**32.2**	31.4
A 20-year forward put on the FTSE/JSE TOP40 index	**31.0**	30.2
The risk-free zero coupon yield curve (annually compounded) used to calibrate the market-consistent stochastic model, is shown in the table below. This yield curve is based on the zero coupon government bond curve.		
1 year	**8.3**	6.5
2 years	**8.7**	6.8
3 years	**9.1**	7.1
4 years	**9.4**	7.4
5 years	**9.6**	7.6
10 years	**10.3**	8.4
15 years	**10.8**	8.9
20 years	**11.1**	9.1
25 years	**11.3**	9.3
30 years	**11.3**	9.5

CAPITAL & RISK MANAGEMENT REPORT

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CAPITAL MANAGEMENT

RISK MANAGEMENT

CAPITAL MANAGEMENT

OBJECTIVE

Effective capital management is an essential component of meeting the Group's strategic objective of maximising shareholder value. The capital value used by the Group as the primary performance measurement base is Group Equity Value (GEV). The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise return on GEV. The Group has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

Full information on the Sanlam Limited Group Equity Value is provided in the Sanlam Limited Annual Report on page 162.

Capital allocation methodology

Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The following methodology is used to determine the allocation of required capital to covered business:

The level and nature of the supporting capital is determined by minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital must comply with specific requirements. For Sanlam Life, a stochastic modeling process is used to assist in determining long-term required capital levels that, within a 95% confidence level, will be able to cover the minimum statutory capital adequacy requirement (CAR) at least 1.5 times over each of the next 10 year-ends. For the other smaller life insurers the Group sets supporting capital levels as a multiple of their respective regulatory capital adequacy requirements.

The fair value of other Group operations includes the working capital allocated to the respective operations.

The Group's approach to ensure appropriate working capital levels in these operations is twofold:

- The Group's internal dividend policy is based on the annual declaration of all discretionary capital by subsidiaries that is not required for normal operations or expansion; and
- Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

Capital management

Covered business (life insurance operations)

The Group's covered business requires significantly higher levels of allocated capital than the other Group operations. The optimisation of long-term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value. The following main strategies are used to achieve this objective:

- Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk, e.g. non-participating annuities.
- Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business.

- The asset mix of the long-term required capital also impacts the overall capital requirement. An increased exposure to hedged equity and interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. Over the longer term, the expected investment return on these instruments is however lower than equity with a potential negative impact on the return on GEV. There is accordingly a trade-off between lower capital levels and the return on capital. The Group's stochastic capital model is used as input to determine the optimal asset mix in this regard.
- The introduction of long-term debt into the life insurance operations' capital structure and the concurrent investment of the proceeds in bonds and other liquid assets, to reduce the volatility in the regulatory capital base with a consequential lower overall capital requirement.
- The utilization of capital diversification benefits, whereby the capital requirements of insurance entities can be partly covered by investments in other Group operations within the limits available in the particular regulatory regime.
- Management of operational risk: Internal controls and various other operational risk management processes are used to reduce operational risk and commensurately the allowance for this risk in the calculation of required capital.

The Group continues to improve and further develop its capital management models and processes in line with international best practice and the current significant international and South African developments surrounding solvency and capital requirements (i.e. Solvency Assessment and Management (SAM)).

Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk-adjusted return targets are set for the businesses to ensure that each business' return target takes cognisance of the inherent risks in the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising return on GEV.

Group Capital Committee

The Group Capital committee, an internal management committee, is responsible to review and oversee the management of the Group's capital base in terms of the specific strategies approved by the Board.

Discretionary capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy. Any discretionary capital not being efficiently redeployed, will be returned to shareholders in the most effective form.

Capital adequacy

Capital adequacy for the South African operations is measured with reference to the cover provided by the Group's prudential regulatory capital in relation to the Capital Adequacy Requirements.

The valuation of assets and policy liabilities for prudential capital adequacy purposes is generally in line with the methodology for the published results. Some adjustments are, however, required, as set out below.

Reinsurance

Policy liabilities are valued net of reinsurance and the reinsurance asset is eliminated.

Investment contracts with investment management services

The liabilities are set equal to the retrospectively accumulated fair value of the underlying assets less the deferred acquisition cost (DAC) asset in the case of individual business. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

The DAC asset is disregarded for prudential capital adequacy purposes.

Group undertakings and inadmissible assets

The value of assets is reduced by taking into account the prescribed valuation bases for Group undertakings and to eliminate inadmissible assets (as defined in the relevant prudential regulations).

Capital Adequacy Requirements (CAR)

The excess of assets over liabilities of life insurance operations on the prudential regulatory basis should be sufficient to cover the CAR in terms of the relevant local regulations as well as professional practice notes issued by the Actuarial Society in South Africa. The CAR provides a buffer against experience worse than that assumed in the valuation of assets and liabilities.

On the valuation date, the ordinary CAR was used for the South African operations as they exceeded the termination and minimum CAR.

The largest element of the CAR relates to stabilised bonus business. Consistent with an assumed fall in the fair value of the assets (the “resilience scenario”), which is prescribed in the actuarial practice notes, the calculation of the CAR takes into account a reduction in non-vesting bonuses and future bonus rates and for the capitalisation of some expected future profits (resulting from discretionary margins in the valuation basis and held as part of the liabilities).

At 31 December 2015, the resilience scenario assumes that:

- Equity values decline by 30%;
- Property values decline by 15%;
- Fixed interest yields and inflation-linked real yields increase or decrease by 25% of the nominal or real yields (whichever gives the highest total capital adequacy requirements); and
- Assets denominated in foreign currencies decline by at least 20% on the valuation date and do not subsequently recover within the short term.

Provision is made for credit and operational risk in the calculation of the CAR.

The excess of the actuarial values of assets over liabilities is disclosed in the table on page 85.

The values disclosed for Sanlam Life capture the solvency position of the entire Sanlam Life Group, including its subsidiaries. All subsidiaries of Sanlam Life were adequately capitalised.

Credit rating

The Group appointed Standard & Poor’s (S&P) during 2015 to replace Fitch Ratings as the Group’s credit ratings agency. This follows the cancellation of Fitch Ratings’ registration as a ratings agency for regulatory purposes by the Financial Services Board. S&P issued the following ratings for the Group companies:

	Most recent ratings issued
Sanlam Life Insurance Limited	South Africa National Scale: zaAAA
Subordinated debt issued by Sanlam Life Insurance Limited	South Africa National Scale: zaAA+
Santam Limited	South Africa National Scale: zaAAA

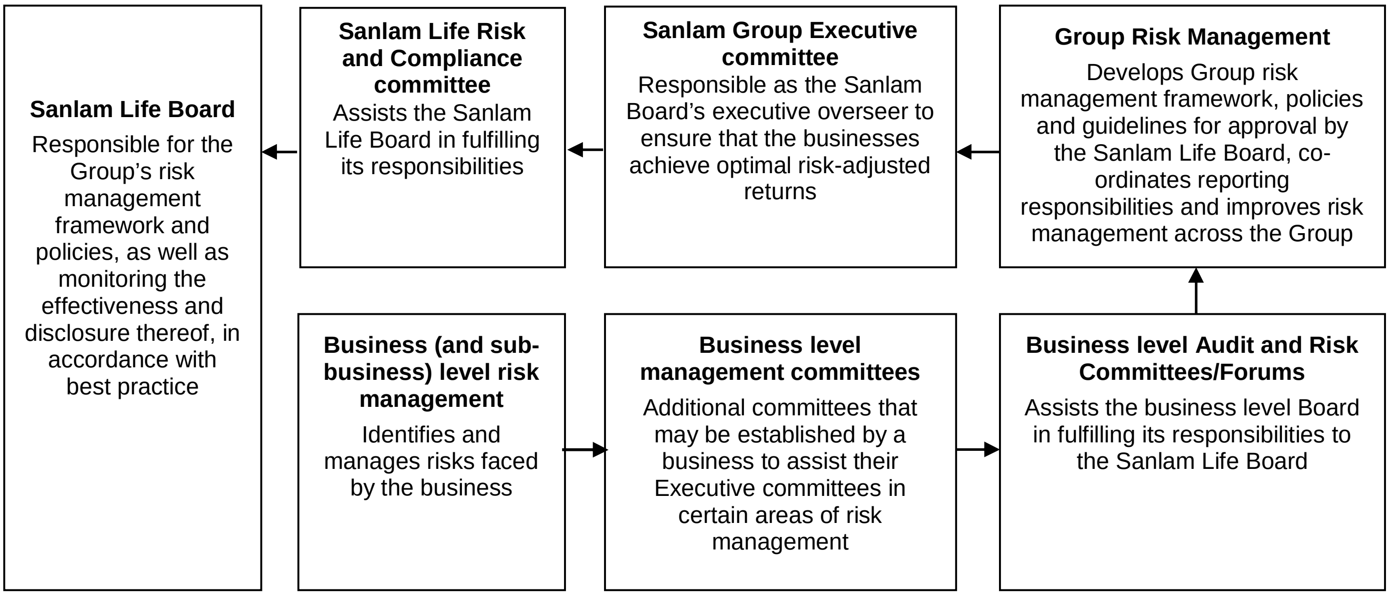
The independent credit ratings provide assurance to the investors in securities issued by the Group as well as the Group’s business partners and other stakeholders. It also enables the Group to issue debt and equity instruments at market-related rates.

RISK MANAGEMENT

Governance structure

In terms of the Group's overall governance structure, the meetings of the Sanlam Limited Board (Sanlam Board) and Sanlam Life Insurance Limited Board (Sanlam Life Board) are combined to improve the flow of information and to increase the efficiency of the Boards. The agenda of the Sanlam Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development, corporate governance and JSE requirements. The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses as well as monitoring operational efficiency and risk issues throughout the Group. In respect of separately listed subsidiaries, this is done within the limitations of sound corporate governance practices.

The Group operates within a decentralised business model environment. In terms of this philosophy, the Sanlam Life Board sets the Group enterprise risk management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the Sanlam Life Board.



Role of Group Risk Management

The role of Group Risk Management is one of setting Group standards and guidelines, coordinating and monitoring risk management practices and ultimately reporting to the Sanlam and Sanlam Life Boards.

Group Risk Management plays an active role with regard to risk management in the Sanlam Group. The involvement includes the following:

- Permanent invitees of business units' Risk and Audit committees;
- Member of the Central Credit committee (see description below);
- Transactional approval incorporated in approval frameworks of business units where appropriate;
- Involvement and approval of corporate activity transactions;
- Chairs the Capital committee and; Asset and Liability committee at Group level as well as the Group Risk Forum (see descriptions below);
- Guidance on risk-related matters at a business level; and
- Involvement with specialist risk management issues at business level.

A number of other risk management/monitoring mechanisms operate within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table:

OTHER RISK MANAGEMENT / MONITORING MECHANISMS		
Capital Committee Reviews and oversees the management of the Group's capital base	**Asset and Liability Committee** Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided	**Central Credit Committee** Oversees the identification, measurement and control of corporate credit risk exposure
Investment Committees Determines and monitors appropriate investment strategies for policyholder solutions	**Treasury Function** Manages the liquidity risks in the borrowing functions of Sanlam	**Non-listed Asset Controlling Body** Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam and Sanlam Life Boards
Group Risk Forum Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Sanlam Life Board	**Financial Director** Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised	**Actuarial** Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modeling techniques
Forensics Investigates and reports on fraud and illegal behaviour in businesses	**Group Secretariat and Public Officers** Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters	**Group Compliance Function** Facilitates management of compliance through analysing and advising on statutory and regulatory requirements, and monitoring implementation and execution thereof
Group IT Manages and reports Group-wide Information and Information Technology risks	**Risk Officer (per business)** Assists business management in their implementation of the Group risk management framework and policies, and to monitor the business's entire risk profile	**Internal Audit** Assists the Sanlam Life Board and management by monitoring the adequacy and effectiveness of risk management in businesses
Actuarial Forum Assists the Audit and the Risk & Compliance Committees on actuarial related matters. It also assists the Actuarial Control Function in providing oversight over first line activities in Group Actuarial, most notably balance sheet management.		

Group risk policies, standards and guidelines

The main policies, standards and guidelines are:

- Sanlam Group Enterprise Risk Management (ERM) policy and plan;
- Sanlam Group Risk Escalation policy;
- Sanlam Group Business Continuity Management policy;
- Definitions of Risk categories standard;
- Risk Appetite guidance note;
- Sanlam Group Risk Appetite Statement;
- Sanlam Risk Management Maturity Model;
- Sanlam Life Risk and Compliance committee charter; and
- Group Risk forum terms of reference.

A policy sets out the mandatory minimum requirements for the businesses.
A standard endeavours to ensure consistent use of terminology.
A guidance note is aimed at providing information.

The following also cover aspects with linkage to risk management:

- Sanlam Life Combined Assurance Model;
- Sanlam Group Internal Control Framework;
- Sanlam Group Outsourcing policy;
- Sanlam Group Information and Information Technology (I and IT) Risk Management policy;
- Representations from Group businesses to the Sanlam and Sanlam Life Audit, Actuarial and Finance committees;
- Sanlam Corporate Credit Risk strategy and policy;
- Sanlam Reinsurance and other Risk Mitigation policy;
- Sanlam Life Underwrtiting Risk Management policy;
- Sanlam Investment Policy;
- Sanlam Financial Crime Combating policy;
- Sanlam Human Resources policies;
- Sanlam Group Governance Framework;
- Sanlam Group High-level Authorisation Framework; and
- Sanlam Life Insurance Audit, Actuarial and Finance committee charter.

Sanlam Group Enterprise Risk Management policy and plan

The Group ERM policy and plan includes the following main components:

- The broad objectives and philosophy of risk management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- The Group's minimum standards for implementation of risk management in the businesses.

Sanlam Group Risk Escalation policy

The Risk Escalation policy defines the circumstances in which risk events and emerging risks should be escalated to the Sanlam Group level. This includes quantitative and qualitative measures.

Summary of Sanlam Group Risk Appetite

- The Sanlam Group consists of a number of decentralised businesses. These businesses have different risk profiles and appetites. They are capitalised appropriately based on these risk profiles.
- The Group determines the hurdle rates required from these businesses. These hurdle rates are set out for each business in accordance with its risk profile. On average the Sanlam Group aims to yield a return on GEV equal to at least 1% above its cost of capital, being equal to the return on nine-year government bonds plus 4%.
- Each decentralised business needs to operate within the restrictions of its allocated capital. For businesses using Value at Risk (VAR) as measurement, a 99,5% confidence level is required over a one-year time horizon. For businesses using capital adequacy (risk-based capital) techniques, a 95% confidence over a 10-year time horizon is required.
- Each business needs to manage their risks within the Group ERM framework.

Independent assurance reviews

The Group developed with an external assurance provider, a Risk Management Maturity Model against which the risk management processes across the Group are assessed. Annually, Internal Audit (in conjunction with Group Risk Management) prepares risk management process audit plans for approval by the Sanlam Life Risk and Compliance Committee. The assurance reviews comprise self-assessments and independent reviews. All businesses conduct self-assessments with the independent assessments done either by an external assurance provider or Internal Audit. Typically, the larger businesses are assessed by an external assurance provider once every three years. Internal audit on the other hand tends to focus on the assessments for the smaller businesses which are done on a rolling basis. The overall results of both the self-assessments and the independent reviews are presented to the Sanlam Life Risk and Compliance committee.

Risk types

The Group is exposed to the following main risks:

	Risk category (primary)	Risk type (secondary) and description	Potential significant impact
General risks	1. Operational	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:	All Group businesses
		Information and technology risk: the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of confidentiality, availability and integrity of information, which includes cyber risks and its knock-on effects. Information risk also includes the loss of quality of information.	
		Going concern/business continuity risk: the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future.	
		Legal risk: the risk that the Group's operations or its condition are disrupted or adversely affected by legal proceedings against it, adverse judgements from courts, contracts that turn out to be unenforceable or contractual obligations which have not been provided for.	
		Compliance risk: the risk of not complying with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct including acceptable market conduct practices[(1)], investment management mandates, as well as the failure to uphold the Group's core values and code of ethical conduct.	
		Human resources risk: the risk that the Group does not have access to appropriate skills and staff complement to operate and effectively manage other operational risk.	
		Fraud risk: the risk of financial crime and unlawful conduct impacting on the Group. It includes both internal and external fraud.	
		Taxation risk: the risk of financial loss owing to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in return on Group Equity Value; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.	
		Regulatory risk: the risk that new Acts or regulations will result in the need to change business practices that may lead to financial loss.	
		Process risk: the risk of loss as a result of failed or inadequate internal processes.	
		Project risk: the risks that are inherent in major projects.	
		Outsourcing provider risk: the risk arising from the inability or unwillingness of an outsourcing service provider to discharge its contractual obligations; and from concentration with an individual outsourcing service provider (which exacerbates the former).	
	2. Reputational	Reputational risk is the risk that adverse publicity regarding a Group's business practices, associations and market conduct, whether accurate or not, will cause a loss of confidence in the integrity of the institution. The risk of loss of confidence relates to stakeholders, which include, inter alia, potential and existing customers, investors, suppliers and supervisors.	All Group businesses
	3. Strategic	Strategic risk is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.	All Group businesses

[(1)] *Market conduct involves the behaviour of an organisation and of those that act on its behalf towards various stakeholders (including potential and current customers, regulators or supervisors, investors and other market participants). Market conduct comprises market discipline (including transparency and corporate governance) and consumer protection (including treating customers fairly).*

Financial and business-specific risks	**1. Market**	Market risk is the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of assets and liabilities of the organisation. Market risk includes:	• Life insurance • Credit and structuring • General insurance • Investment management
		Equity risk: the risk resulting from the sensitivity of values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.	
		Interest rate risk: the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level or volatility of interest rates.	
		Currency risk: the risk of loss or adverse change in the value of assets and liabilities owing to unanticipated changes in the level or volatility of currency exchange rates	
		Property risk: the risk that the value of investment properties will fluctuate as a result of changes in the environment (i.e. the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level and volatility of market prices of property).	
		Asset liability mismatching (ALM) risk: the risk of change in value as a result of a deviation between asset and liability cash-flows, prices or carrying amounts. ALM risk originates from changes in market risk factors.	
		Concentration risk: the risk of loss associated with inadequately diversified asset portfolios. This may arise either from a lack of diversification in the asset portfolio, or from large exposure to default risk by a single issuer of securities or a group of related issuers (market risk concentrations).	
		Market liquidity risk (also known as trading liquidity risk or asset liquidity risk): risk stemming from the lack of marketability of a financial instrument that cannot be bought or sold timeously to prevent or minimise a loss (or realise the required profit).	
		Credit spread risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of credit spreads over the risk-free interest rate term structure.	
	2. Credit	Credit risk is the risk of default and deterioration in the credit quality of issuers of securities, counterparties and intermediaries to whom the company has exposure. Credit risk includes:	• Life insurance • General insurance • Credit and structuring • Corporate
		Default risk: credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.	
		Downgrade or **Migration risk:** risk that changes in the possibility of a future default by an obligator will adversely affect the present value of the contract with the obligator.	
		Settlement risk: risk arising from the lag between the transaction and settlement dates of securities transactions.	
		Reinsurance counterparty risk: concentration risk with individual reinsurers, owing to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.	
	3. Funding Liquidity	Funding Liquidity risk is the risk relating to the difficulty/inability to accessing/raising funds to meet commitments associated with financial instruments or policy contracts.	• Life insurance • General insurance • Credit and structuring • Corporate
	4. Insurance risk (life business)	**Insurance risk (life business)**: risk arising from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:	• Life insurance
		Underwriting risk: the risk that the actual experience relating to mortality, longevity, disability and medical (morbidity) will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities.	
		Persistency risk: the risk of financial loss owing to negative lapse, surrender and paid-up experience. It covers the risk of loss or adverse change in insurance liabilities due to unanticipated change in the rate of policy lapses, terminations, renewals and surrenders.	
		Expense risk: the risk of loss owing to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. It covers the risk of loss or adverse change in insurance liabilities due to adverse variation in the expenses incurred in servicing insurance and reinsurance contracts.	
		Concentration risk: the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile (including catastrophe risk).	

	5. Insurance risk (General insurance business)	**Insurance risk (general insurance business):** risk arising from the underwriting of non-life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:	• General insurance
		Claims risk (Premium and Reverse risk): refers to a change in value caused by the ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. Claims risk are often split into Reserve risk (relating to incurred claims) and Premium risk (relating to future claims).	
		Non-Life Catastrophe risk: the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty relating to the pricing and provisioning assumptions for extreme or exceptional events.	

Risk management: General risks

1. OPERATIONAL RISK

The Group mitigates this risk through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

The management of risks associated with human resources is not addressed in this report.

The following functionaries assist in mitigating operational risk:

Internal audit

A Board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The chief audit executive of Sanlam is appointed in consultation with the chairman of the Audit, Actuarial and Finance committee and has unrestricted access to the chairman of the committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit

The Group’s external auditors are Ernst & Young Inc. The report of the independent auditors for the year under review is contained on page 10 of the annual financial statements.

The external auditors assess certain systems of internal financial control for the purpose of expressing an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard. The Group applies a policy of compulsory rotation of audit partners.

Information and technology risk

IT risks are managed across the Group in an integrated manner following the Enterprise Risk Management framework. Group IT is the custodian of the Group's IT Policy framework and ensures explicit focus on, and integration with the Group's IT Governance framework, which includes the governance of Information Security.

The Head of Group IT facilitates the process of identifying emerging IT risks as well as unpacking significant IT risks with Group-wide strategic or operational impact. The Group IT Committee provides guidance to the Head of Group IT regarding his duties, such as the establishment of Policy.

A quarterly IT Governance report, summarising the Group-wide situation is delivered to the Risk and Compliance committee.

Going concern/business continuity risk

The Board regularly considers and records the facts and assumptions on which it relies to conclude that Sanlam will continue as a going concern. Reflecting on the year under review, the Directors considered a number of facts and circumstances and are of the opinion that adequate resources exist to continue business and that Sanlam will remain a going concern in the foreseeable future. The Board’s statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

Legal risk

During the development stage of any new product and for material transactions entered into by the Group, the legal resources of the Group monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out. Sanlam seeks to minimise uncertainties through continuous consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Compliance risk

Laws and regulations:
Sanlam considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group Compliance Office, together with the compliance functions of the Group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with client mandates:
Automated pre-compliance rules for clients' investment guidelines are loaded on the order management system. This means that a system rule will generally prevent any transaction that may cause a breach. Apart from this continuous monitoring, post-trade compliance reports are produced from the order management system. Reporting of compliance monitoring with investment guidelines is done on a monthly basis, although the monitoring activities happen continuously. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and indicate when it will be rectified. When a breach is confirmed, the portfolio manager must generally rectify the breach as soon as possible. The action taken may vary depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the head of investment operations on a monthly basis.

Derivative exposures are monitored on a daily basis for compliance with approval framework limits, as well as client investment guidelines where the guidelines are more restrictive than the investment manager's own internal limits.

Fraud risk

The Sanlam Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group's code of ethics, and undermines the organisational integrity of the Group. The financial crime combating policy for the Sanlam Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders are prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executive of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The chief executive of each business cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the Group Chief Executive and the Sanlam Life Board. Quarterly reports are submitted by Group Forensic Services to the Sanlam Life Risk and Compliance committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Taxation risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The Group's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to comment on changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

Regulatory risk

Regulatory risk is mitigated by ensuring that the Group has dedicated personnel that are involved in and therefore informed of relevant developments in legislation. The Group takes a proactive approach in investigating and formulating views on all applicable issues facing the financial services industry. The risk is also managed as far as possible through clear contracting. The Group monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry organisations.

Process risk

The risk of failed or inadequate internal processes is addressed through a combination of the following:

- A risk-based approach is followed in the design of operational processes and internal controls;
- Operational processes are properly documented;
- Staff training and the employment of a performance-based remuneration philosophy; and
- Internal audit review of key operational processes.

Project risk

A formalised, risk-based approach is followed for the management of major projects to ensure that projects are effectively implemented and the project hurdle rate is achieved. Key deliverables, progress and risks are monitored on a continuous basis throughout the project life cycle. Internal specialists and external consultants are used as required to provide specialist knowledge and experience.

Outsourcing provider risk

A Group outsourcing policy is in place and aims to provide clear direction and policy regarding the strategic management (e.g. assessment of outsourcing options, establishment of agreements, the on-going management of and reporting on outsourcing) of all outsourcing arrangements, whether external or internal within the Sanlam Group.

2. REPUTATIONAL RISK

Risks with a potential reputational impact are escalated to the appropriate level of senior management. The Audit and Risk committees are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

3. STRATEGIC RISK

The Group's governance structure and various monitoring tools ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success are discussed and evaluated at an annual special strategic session of the Sanlam Life Board as well as at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the Sanlam Group Executive committee, which ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The Sanlam Group Executive committee, which includes the chief executives of the various Group businesses, meets on a regular basis to discuss, among others, the achievement of the businesses' and Group's strategies.
- Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

RISK MANAGEMENT: BY BUSINESS AREA

Investment management

The Group's investment management operations are primarily exposed to operational risks, as they have limited on-balance sheet exposure to financial instruments. Investment risk is borne principally by the client. The asset management operations are, however, exposed to market risk owing to the impact of market fluctuations on revenue levels, as investment fees are generally linked to the level of assets under management. This exposure is reduced through asset class and product diversification.

Investment performance:
One of the key risks inherent to the investment management operations relates to the risk of consistently poor investment decisions, i.e. incorrect asset allocation views and/or stock selection resulting in investment underperformance and impairment of track record relative to benchmark and/or peer group. In order to mitigate this risk, the following areas are focused on:

- The recruitment and retention of high quality investment professionals and support staff who are organised into stable teams with a performance culture that receive pertinent training and development and regular employee appraisals;
- The optimisation of a robust investment process to effect good investment decisions;
- The rigour of the procedures for portfolio implementation;
- The effectiveness of the dealing desk; and
- The analyses of fund performance.

The above interventions are implemented with due cognisance of Sanlam Investments' fiduciary responsibility to at all times act in the best interest of the clients and in accordance with the investment mandate directives.

Life insurance

The Group's life insurance businesses are exposed to financial risk through the design of some policyholder solutions, and in respect of the value of the businesses' capital. Non-participating policyholder solutions and those that provide investment guarantees, such as market-related business, stable and reversionary bonus business and non-participating annuity business, expose the life insurance businesses to financial risk. Other business, such as linked policies (where the value of policy benefits is directly linked to the fair value of the supporting assets) does not expose the life insurance businesses to direct financial risk as this risk is assumed by the policyholder. The life insurance businesses' capital is invested in financial instruments, which also exposes the businesses to financial risk, in the form of market, credit and liquidity risk.

The table below summarises the various risks associated with the different policyholder solutions as well as the capital portfolio.

Please refer to the "Policy liabilities and profit entitlement section" on page 32 for a description of the different policyholder solutions; as well as to note 15 on page 52, which discloses the monetary value of the Group's exposure to the various solutions.

Life insurance businesses exposed to risk via:	Market risk				Credit risk	Liquidity risk	Insurance risk	
	Equity	Interest rate	Currency	Property			Persistency	Other insurance risks
Policyholder solutions								
Linked and market-related	✓ (1)	✓ (1)	✓ (1)	✓ (1)	✓ (1)	✓ (3)	✓	✓
Smoothed-bonus business:								
Stable bonus	✓ (2)	✓ (2)	✓ (2)	✓ (2)	✓ (2)	✓ (3)	✓	✓
Reversionary bonus	✓ (2)	✓ (2)	✓ (2)	✓ (2)	✓ (2)	✓ (3)	✓	✓
Participating annuities	✓ (2)	✓ (2)	✓ (2)	✓ (2)	✓ (2)	✓ (3)	✓	✓
Non-participating annuities	X	✓	X (4)	X (4)	✓	✓ (3)	X	✓
Other non-participating liabilities:								
Guarantee plans	X	✓	X (4)	X	✓	✓ (3)	✓	✓
Other	✓	✓	X (4)	✓	✓	✓ (3)	✓	✓
Capital portfolio	✓	✓	✓	X (4)	✓	X	X	X

(1) Only market-related policies (not linked policies) expose the life insurance businesses to this risk, due to these policies providing guaranteed minimum benefits at death or maturity.

(2) The life insurance businesses are exposed to this risk, only if the assets backing these policies have underperformed to the extent that there are negative bonus stabilisation reserves that will not be recovered by declaring lower bonuses in the subsequent years.

(3) Although liquidity risk is present, it is not a significant risk for the insurance businesses due to appropriate matching of asset and liability cash flow values and duration.

(4) An immaterial amount of assets are exposed to this risk.

✓ Risk applicable to item

X Risk not applicable to item

The management of these risks is described below.

1. MARKET RISK

Life insurance businesses exposed to risk via:	Equity	Interest rate	Currency	Property
Policyholder solutions				
Linked and market-related	✔	✔	✔	✔
Smoothed-bonus business:				
Stable bonus	✔	✔	✔	✔
Reversionary bonus	✔	✔	✔	✔
Participating annuities	✔	✔	✔	✔
Non-participating annuities	X	✔	X	X
Other non-participating liabilities:				
Guarantee plans	X	✔	X	X
Other	✔	✔	X	✔
Capital portfolio	✔	✔	✔	X

✔ Risk applicable to item

X Risk not applicable to item

Linked and market-related

Linked and market-related business relates to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full market risk in respect of linked business. Market-related policies, however, provide for guaranteed minimum benefits at death or maturity, and therefore expose the life insurance businesses to market risk. The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Asset Liability committee (ALCO), and by adjusting the level of guarantees for new policies to prevailing market conditions. These investment policies are then reflected in the investment guidelines for the policyholder portfolios. The Group's long-term policy liabilities include a specific provision for investment guarantees. The current provision for investment guarantees in insurance contracts has been calculated on a market-consistent basis in accordance with professional practice notes issued by the Actuarial Society of South Africa.

Smoothed bonus business

These policies provide for the payment of an after-tax and after-cost investment return to the policyholder, in the form of bonuses. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the effects of volatile investment performance, and bonus rates are determined in line with the product design, policyholder reasonable expectations, affordability and the approved bonus philosophy. Any returns not yet distributed are retained in a policyholder bonus stabilisation reserve, for future distribution to policyholders. In the event of adverse investment performance, this reserve may become negative. Negative bonus stabilisation reserves are allowed for in the valuation of these liabilities to the extent that the shortfall is expected to be recovered by declaring lower bonuses in the subsequent three years. The funding level of portfolios is bolstered through loans from the capital portfolio in instances where negative stabilisation reserves will not be eliminated by these management actions. At 31 December 2015, all stable and reversionary bonus business portfolios had a funding level in excess of the minimum reporting level of 92,5%.

Market risk is borne by policyholders to the extent that the after-tax and after-cost investment return is declared as bonuses. The capital portfolio is however exposed to some market risk as an underperformance in investment markets may result in an underfunded position that will require financial support by the capital portfolio. The Group manages this risk through an appropriate investment policy. ALCO oversees the investment policy for the various smoothed-bonus portfolios, while the Sanlam Personal Finance Investment committee also considers these portfolios as part of its overall brief. The aim is to find the optimum balance between high investment returns (to be able to declare competitive bonus rates) and stable investment returns given the need to meet guaranteed benefits and to support the granting of stable bonus rates. The requirements for the investment management of each portfolio are set out in investment guidelines, which cover, inter alia, the following:

- Limitations on exposure to volatile assets;
- The benchmarks for the performance measurement of each asset class and limits on deviations from these benchmarks;
- Credit risk limits;
- Limits on asset concentration – with regard to strategic investments, the exposure of policyholders' portfolios to these investments is based on portfolio investment considerations and restricted with reference to a specific counter's weight in the benchmark portfolio;
- Limits on exposure to some particular types of assets, such as unlisted equities, derivative instruments, property and hedge funds; and
- Regulatory constraints.

Feedback on the investment policy and its implementation and the performance of the smoothed-bonus portfolios is provided quarterly to the Sanlam Life Board and the Sanlam Customers Interest Committee.

Non-participating annuities

Non-participating annuity business relates to contracts where income is paid to an annuitant for life or for a fixed term, in return for a lump sum consideration paid on origination of the policy. The income may be fixed, or increased at a fixed rate or in line with inflation. The Group guarantees this income and is therefore subject to interest rate risk. Liabilities are matched as far as possible with assets, mostly interest-bearing, to ensure that the change in value of assets and liabilities is closely matched for a change in interest rates. The impact of changes in interest rates is continuously tested, and for a 1% parallel movement in interest rates the impact on profit will be immaterial.

Guarantee plans

These single premium policies provide for guaranteed maturity amounts. The life insurance businesses are therefore exposed to interest rate risk, if the assets backing these liabilities do not provide a comparable yield to the guaranteed value. Interest rate risk is managed by matching the liabilities with assets that have similar investment return profiles as the liabilities.

Other non-participating business

The Group is exposed to market risk to the extent of the investment of the underlying assets in interest-bearing, equity and property investments. The risk is managed through investments in appropriate asset classes. A number of the products comprising this business are matched using interest-bearing instruments, similar to non-participating annuities.

Policyholder solution's exposure to currency risk

The majority of currency exposure within the policyholder portfolios results from offshore assets held in respect of linked and smoothed bonus business. Offshore exposure within these portfolios is desirable from a diversification perspective.

Capital

Comprehensive measures and limits are in place to control the exposure of the Group's capital to market and credit risks. Continuous monitoring takes place to ensure that appropriate assets are held in support of the capital and investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

The exposure of the life insurance operations' shareholders' funds to various classes of investments is reflected in the following table:

SHAREHOLDERS' FUND

R million	**2015**	2014
Property and equipment	**808**	671
Owner-occupied properties	**822**	610
Goodwill	**1 502**	1 683
Other intangibles	**410**	377
Value of business acquired	**1 197**	1 321
Deferred acquisition costs	**2 571**	2 457
Investments	**62 076**	54 000
Properties	**1 010**	689
Equity-accounted investments	**15 119**	11 272
Equities and similar securities	**12 554**	16 428
Interest bearing investments	**14 638**	15 039
Structured transactions	**1 704**	1 148
Investment funds	**6 355**	5 918
Cash, deposits and similar securities	**10 696**	3 506
Net deferred tax	**(849)**	(1 257)
Net disposal groups classified as held for sale	**540**	427
Defined benefit asset	**-**	144
Short-term insurance technical assets	**4 251**	3 964
Net working capital assets	**7 617**	3 513
Short-term insurance technical provisions	**(13 352)**	(12 592)
Cell owners interest	**(980)**	(925)
Structured transactions	**(204)**	(2)
Term finance	**(3 327)**	(3 376)
Non-controlling interest	**(6 486)**	(5 131)
Shareholders' fund - Sanlam Life Group	**56 596**	45 884

The exposure of the Group's capital portfolio to currency risk is analysed in the table below

31 December 2015 R million	Euro	United States Dollar	British Pound	Botswana Pula	Indian Rupee	Other currencies	Total
Investment properties	**-**	**-**	**-**	**229**	**-**	**648**	**877**
Equities and similar securities	**366**	**595**	**198**	**432**	**-**	**651**	**2 242**
Equity accounted investments (1)	**-**	**-**	**-**	**1 784**	**7 656**	**1 043** (2)	**10 483**
Government interest bearing investments	**-**	**-**	**-**	**-**	**-**	**594**	**594**
Corporate interest bearing investments	**-**	**78**	**-**	**100**	**-**	**581**	**759**
Mortgages, Policy and other loans	**-**	**-**	**-**	**39**	**-**	**98**	**137**
Structured transactions	**-**	**(8)**	**-**	**-**	**-**	**-**	**(8)**
Investment funds	**1**	**662**	**14**	**102**	**-**	**299**	**1 078**
Cash deposits and similar securities (3)	**9**	**5 941**	**5**	**262**	**-**	**498**	**6 715**
Net working capital	**(4)**	**18**	**1**	**(255)**	**-**	**88**	**(152)**
Foreign currency exposure	**372**	**7 286**	**218**	**2 693**	**7 656**	**4 500**	**22 725**
Exchange rates (Rand):							
Closing rate	16.84	15.49	22.83	1.40	0.24		
Average rate	14.09	12.69	19.40	1.27	0.20		

31 December 2014 R million	Euro	United States Dollar	British Pound	Botswana Pula	Indian Rupee	Other currencies	Total
Investment properties	-	-	-	179	-	371	550
Equities and similar securities	428	531	156	558	-	624	2 297
Equity accounted investments (1)	-	-	-	1 523	5 648	1 005	8 176
Government interest bearing investments	-	-	-	251	-	869	1 120
Corporate interest bearing investments	-	-	-	1	-	508	509
Mortgages, Policy and other loans	-	-	-	49	-	107	156
Structured transactions	-	1	-	-	-	-	1
Investment funds	1	577	12	39	-	129	758
Cash deposits and similar securities	71	28	74	488	-	367	1 028
Net working capital	1	1	(9)	(274)	-	(24)	(305)
Foreign currency exposure	501	1 138	233	2 814	5 648	3 956	14 290
Exchange rates (Rand):							
Closing rate	14.01	11.57	18.05	1.23	0.18		
Average rate	14.38	10.84	17.85	1.23	0.18		

(1) Equity accounted investments only include significant entities that have foreign currency exposure.

(2) Investment in Pacific and Orient, Malaysia.

(3) Includes cash held for Saham, Shriram Life and Shriram General Insurance transactions. Refer to page 129 and 130 for more information.

The capital portfolio has limited exposure to investment properties and accordingly the related property risk.

Sensitivities

Changes in investment return assumptions have an impact on the return on the Group's capital, as changes in the market value of the capital portfolio's investments will have a commensurate impact on earnings for the year, and the future profitability of the life insurance operations as reflected in the impact on the value of in-force business (the present value of future after-tax profit to be earned from covered business). If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be an increase of R910 million (2014: increase of R1 143 million).

The impact on current year profit of the above scenarios is limited, due to the Group's policy of closely matching assets and liabilities together with the fact that any mismatch profits and losses in respect of non-participating life business are absorbed by the asset mismatch reserve, while this reserve has a positive balance.

2. CREDIT RISK – POLICYHOLDER SOLUTIONS & CAPITAL

Life insurance businesses exposed to risk via:	**Credit risk**
Policyholder solutions	✔
Capital portfolio	✔

Sanlam recognises that a sound credit risk policy is essential to minimise the effect on the Group as a result of loss owing to a major corporate failure and the possible systemic risk such a failure could lead to. The Sanlam Corporate Credit Risk policy and strategy has been established for this purpose. Credit risk occurs owing to trading, investment, structured transactions and lending activities. These activities in the Group are conducted mostly by either Sanlam Capital Markets (SCM) or Sanlam Investment Management (SIM) in terms of the investment guidelines granted to them by the life insurance operations. The Boards of SIM and SCM have delegated responsibility for credit risk management to the Central Credit committee. On a smaller scale, Botswana Insurance Fund Management (BIFM) also performs investment activities in the Group.

The governance structures ensure that an appropriate credit culture and environment is maintained, such that no transactions are concluded outside areas of competence, nor without following normal procedures. This credit culture is the product of a formal credit risk strategy and credit risk policy.

The credit risk strategy stipulates the parameters for approval of credit applications, such as: economic sector; risk concentration; maximum exposure per obligor, group and industry; geographical location; product type; currency; maturity, anticipated profitability or excess spread; economic capital limits; and cyclical aspects of the economy.

The credit risk policy highlights the processes and procedures to be followed in order to maintain sound credit granting standards, to monitor and manage credit risk, to properly evaluate new business opportunities and identify and administer problem credits. Credit analysis is a structured process of investigation and assessment, involving identifying the obligor, determining whether a group of connected obligors should be consolidated as a group exposure, and analysing the financial information of the obligor. A credit rating, being a ranking of creditworthiness, is allocated to the obligor. In addition to external ratings, internal rating assessments are conducted, whereby the latest financial and related information is analysed in a specified and standardised manner, to ensure a consistent and systematic evaluation process. External ratings (e.g. Moody's Investor Services, Standard & Poor's, Fitch Ratings and Global Credit Ratings) are taken into account when available.

All facilities are reviewed on at least an annual basis by the appropriate approval authority. Where possible, Sanlam's interest is protected by obtaining acceptable security. Covenants are also stipulated in the loan agreements, specifying actions that are agreed to. A credit administration and reporting department is in place to implement risk control measures and maintain ongoing review of the credit reports and conditions, to ensure overall compliance with the credit risk strategy and policy.

In addition to the above measures, the portfolios are also managed in terms of the investment guidelines of the life insurance operations, which place limits in terms of the lowest credit quality that may be included in a portfolio, the average credit quality of instruments in a portfolio as well as limits on concentration risk.

The Group is also exposed to credit risk in respect of its working capital assets. The following are some of the main credit risk management actions:

- Unacceptable concentrations of credit risk to groups of counterparties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, customers and geographic areas;
- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract;
- General insurance premiums outstanding for more than 60 days are not accounted for in premiums, and an appropriate level of provision is maintained; and
- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

The Group has considered the impact of changes in credit risk on the valuation of its liabilities. Credit risk changes will only have an impact in extreme situations and are not material for the 2015 and 2014 financial years. Given the strong financial position and rating of the Group, the credit rating of its liabilities remained unchanged.

The tables below provide an analysis of the ratings attached to the Group's life insurance businesses' exposure to instruments subject to credit risk.

Credit risk concentration by credit rating * :												
Assets backing policy liabilities	**AAA %**	**AA+ %**	**AA %**	**AA- %**	**A+ %**	**A %**	**A- %**	**BBB %**	**Not rated %**	**Other %**	**Total %**	**Carrying value R million**
31 December 2015												
Government interest-bearing investments	76	-	-	1	-	7	-	2	10	4	100	58 974
Corporate interest-bearing investments	6	24	25	13	6	8	2	6	9	1	100	49 157
Mortgages, policy and other loans	8	-	3	2	7	6	2	18	47	7	100	5 421
Cash, deposits and similar securities	30	26	20	2	-	1	1	1	19	-	100	14 999
Net working capital	-	2	-	-	-	-	-	-	98	-	100	704
Total	41	12	12	5	3	7	1	4	13	2	100	129 255
31 December 2014												
Government interest-bearing investments	87	-	-	2	-	-	-	2	7	2	100	62 329
Corporate interest-bearing investments	14	23	27	8	3	6	4	2	7	6	100	48 169
Mortgages, policy and other loans	2	-	-	4	4	3	19	4	56	8	100	4 732
Cash, deposits and similar securities [(2)]	35	26	21	6	-	1	-	1	8	2	100	11 873
Net working capital	1	-	-	-	-	-	-	-	98	1	100	1 860
Total	51	11	12	4	1	3	2	2	10	4	100	128 963
Capital portfolio	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**R million**
31 December 2015												
Government interest-bearing investments [(1)]	13	-	1	3	-	-	-	1	77	5	100	754
Corporate interest bearing investments	17	22	22	13	6	6	2	2	6	4	100	8 568
Mortgages, policy and other loans	-	-	-	-	-	10	5	22	53	10	100	339
Cash, deposits and similar securities	74	5	6	-	-	-	-	-	14	1	100	8 673
Net working capital	312	71	9	-	-	-	-	-	(292)	-	100	1 163
Total	59	16	13	6	3	3	1	1	(4)	2	100	19 497
31 December 2014												
Government interest-bearing investments	12	-	-	4	-	-	-	1	80	3	100	1 354
Corporate interest-bearing investments	21	19	24	9	4	9	5	1	2	6	100	9 464
Mortgages, policy and other loans	7	-	-	6	-	21	41	-	10	15	100	227
Cash, deposits and similar securities [(2)]	51	6	17	4	-	-	-	-	21	1	100	2 912
Net working capital	296	46	8	-	-	-	-	-	(254)	4	100	1 123
Total	45	17	19	7	2	6	3	1	(5)	5	100	15 080

* *Rated externally or by using internationally recognised credit rating techniques.*

(1) *The not-rated government interest- bearing investments relate mainly to not-rated government paper held by some of the Group's life businesses outside of South Africa in their local markets.*

(2) *Management has refined the allocation process for securities without credit ratings to better reflect the credit risk exposure. Comparatives were restated accordingly.*

The majority of the counterparties to these agreements are institutions with at least an AA- rating. The Group's short-term positions are included in the above table under the counterparties' long-term rating where Sanlam has both a long-term and short-term exposure to the entities.

Maximum exposure to credit risk

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the statement of financial position, as there are no financial guarantees provided to parties outside the Group, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There were no material financial assets that would have been past due or impaired had the terms not been renegotiated

Reinsurance credit risk

Sanlam makes use of reinsurance to:

- Access underwriting expertise;
- Access product opportunities;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed under the Group's credit risk framework. The Group's reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for single-event disasters. Credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have high international or similar credit ratings.

3. LIQUIDITY RISK

Life insurance businesses exposed to risk via:	**Liquidity risk**	
Policyholder solutions		3.5
Linked and market-related	✔	3.4
Smoothed-bonus business:		
Stable bonus	✔	3.1
Reversionary bonus	✔	3.1
Participating annuities	✔	3.4
Non-participating annuities	✔	3.2
Other non-participating liabilities:		
Guarantee plans	✔	3.3
Other	✔	3.4
Capital portfolio	X	3.6

✔ Risk applicable to item

X Risk not applicable to item

3.1 These policyholder solutions do not expose the Group to significant liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.

3.2 The liabilities are matched as far as possible with assets, mostly interest-bearing, to ensure that the duration of assets and liabilities are closely aligned.

3.3 Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles as the liabilities.

3.4 Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking into account expected cash outflows.

3.5 The following table summarises the overall maturity profile of the policyholder business:

31 December 2015* **R million**	**< 1 year**	**1-5 years**	**> 5 years**	**Open ended**	**Total**
Insurance contracts	**7 748**	**28 349**	**66 724**	**75 533**	**178 354**
Investment contracts	**5 654**	**36 218**	**63 853**	**144 252**	**249 977**
Total policy liabilities	**13 402**	**64 567**	**130 577**	**219 785**	**428 331**
Properties	**-**	**-**	**-**	**7 289**	**7 289**
Equities and similar securities	**-**	**-**	**-**	**67 442**	**67 442**
Government interest bearing investments	**234**	**4 450**	**54 293**	**-**	**58 977**
Corporate interest bearing investments	**8 085**	**27 181**	**13 192**	**800**	**49 258**
Mortgages, Policy and other loans	**279**	**1 828**	**2 037**	**1 275**	**5 419**
Structured transactions	**3 399**	**4 952**	**1 552**	**1 293**	**11 196**
Investment funds	**-**	**-**	**-**	**214 806**	**214 806**
Cash deposits and similar securities	**8 636**	**6 146**	**215**	**-**	**14 997**
Deferred acquisition costs	**-**	**-**	**-**	**610**	**610**
Long-term reinsurance assets	**63**	**139**	**639**	**21**	**862**
Term finance	**-**	**-**	**-**	**-**	**-**
Derivative liabilities	**(533)**	**(923)**	**(884)**	**-**	**(2 340)**
Net working capital	**(184)**	**-**	**(1)**	**-**	**(185)**
Total policyholder assets	**19 979**	**43 773**	**71 043**	**293 536**	**428 331**

31 December 2014 * **R million**	**< 1 year**	**1-5 years**	**> 5 years**	**Open ended**	**Total**
Insurance contracts	**6 840**	**28 228**	**70 055**	**76 758**	**181 881**
Investment contracts	**3 531**	**32 773**	**58 532**	**126 573**	**221 409**
Total policy liabilities	**10 371**	**61 001**	**128 587**	**203 331**	**403 290**
Properties	**-**	**-**	**-**	**7 013**	**7 013**
Equities and similar securities	**-**	**-**	**-**	**69 222**	**69 222**
Government interest-bearing investments	**762**	**4 660**	**56 907**	**-**	**62 329**
Corporate interest-bearing investments	**11 301**	**25 831**	**10 310**	**739**	**48 181**
Mortgages, policy and other loans	**293**	**1 557**	**1 604**	**1 280**	**4 734**
Structured transactions	**2 453**	**3 733**	**2 020**	**1 883**	**10 089**
Investment funds	**-**	**-**	**-**	**188 264**	**188 264**
Cash deposits and similar securities	**7 560**	**4 135**	**181**	**-**	**11 876**
Deferred acquisition costs	**-**	**-**	**-**	**582**	**582**
Long-term reinsurance assets	**65**	**142**	**634**	**22**	**863**
Structured transactions liabilities	**(285)**	**(142)**	**(337)**	**-**	**(764)**
Net working capital	**886**	**12**	**3**	**-**	**901**
Total policyholder assets	**23 035**	**39 928**	**71 322**	**269 005**	**403 290**

** Consolidated investment funds have been excluded from the current year analysis and comparatives have been restated to exclude the investment funds previously included.*

3.6 The life insurance businesses' capital is not subject to excessive levels of liquidity risk. The publicly issued unsecured bonds issued by Sanlam Life are managed on a corporate level (refer to page 128 for more information).

4. INSURANCE RISK

Life insurance businesses exposed to risk via:	Insurance risk: Persistency	Insurance risk: Other insurance risks
Policyholder solutions		
Linked and market-related	✔	✔
Smoothed-bonus business:		
Stable bonus	✔	✔
Reversionary bonus	✔	✔
Participating annuities	✔	✔
Non-participating annuities	X	✔
Other non-participating liabilities		
Guarantee plans	✔	✔
Other	✔	✔
Capital portfolio	X	X

✔ Risk applicable to item

X Risk not applicable to item

Insurance risk arises primarily from the writing of non-participating annuity and other non-participating life business, as these products expose the Group to risk if actual experience relating to expenses, mortality, longevity, disability and medical (morbidity) differs from that which is assumed. The Group is however also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect of universal life solutions.

Persistency risk

Distribution models are used by the Group to identify high-risk clients. Client relationship management programs are aimed at managing client expectations and relationships to reduce lapse, surrender and paid-up rates. The design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Persistency experience is monitored to ensure that negative experience is timeously identified and corrective action taken. The Group's reserving policy is based on actual experience, adjusted for expected future changes in experience, to ensure that adequate provision is made for lapses, surrenders and paid-up policies.

Other insurance risk

Underwriting risk:
The Group manages underwriting risk through:

- Its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for sub-standard risks;
- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Claims handling policy; and
- Adequate pricing and reserving.

Quarterly actuarial valuations and the Group's regular profit reporting process assist in the timely identification of experience variances. The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business's governance process. The statutory actuaries approve the policy conditions and premium rates of new and revised products;

- Specific testing for HIV/Aids is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/Aids;
- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- Appropriate income replacement levels apply to disability insurance;
- The experience of reinsurers is used where necessary for the rating of sub-standard risks;
- The risk premiums for Group risk business and some of the in-force individual risk business can be adjusted within twelve months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first five to fifteen years;
- Risk profits are determined on a regular basis; and
- Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary.

Expense risk:
Expenses are managed through the Group's budgeting process and continuous monitoring of actual versus budgeted expenses is conducted and reported on.

Sensitivity to insurance risk:
The table below illustrates the change in the present value of future after-tax profit for changes in insurance risk:

Sensitivity to insurance risk	2015 R million	2014 R million
Expenses and persistency		
• Maintenance unit expenses (excluding investment expenses) decrease by 10%	**1 132**	1 076
• Discontinuance rates decrease by 10%	**898**	869
Insurance risk		
• Base mortality and morbidity rates decrease by 5% for life assurance business	**1 425**	1 571
• Base mortality and morbidity rates decrease by 5% for life assurance annuity business	**(260)**	(313)

Concentration risk:
The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. The Group's life insurance businesses are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle- income market and high net worth clients.

The tables below provide an analysis of the exposure to the value of benefits insured in respect of non-participating life business, as well as the annuity payable per policy in respect of non-participating annuities for the Group's operations.

Non-participating annuity per annum per life insured

	Number of lives		Before reinsurance		After reinsurance	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
R'000			**%**	**%**	**%**	**%**
0 - 20	**211 046**	209 826	**30**	28	**30**	28
20 - 40	**21 119**	20 397	**13**	13	**13**	13
40 - 60	**7 647**	7 442	**8**	10	**8**	10
60 - 80	**4 490**	4 189	**7**	10	**7**	10
80 - 100	**2 743**	2 599	**5**	10	**5**	10
>100	**9 463**	7 467	**37**	29	**37**	29
	256 508	251 920	**100**	100	**100**	100

Value of benefits insured: non-participating life business

Benefits insured per individual life	Number of lives		Before reinsurance		After reinsurance	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
R'000			**%**	**%**	**%**	**%**
0 - 500	**7660 048**	8140 852	**23**	26	**28**	31
500 - 1 000	**217 220**	276 535	**13**	16	**14**	17
1 000 - 5 000	**278 552**	297 985	**43**	40	**41**	39
5 000 - 8 000	**14 075**	12 206	**8**	7	**7**	6
>8 000	**10 461**	8 549	**13**	11	**10**	7
	8180 356	8736 127	**100**	100	**100**	100

The tables indicate that the Group's exposure is spread over a large number of lives insured, thereby mitigating concentration risk.

The geographical exposure of the Group's life insurance operations is illustrated in the table below, based on the value of policy liabilities in each region. The majority of life insurance exposure is to the South African market.

	2015	2014
	R million	R million
South Africa	**383 834**	362 425
Africa	**30 794**	28 416
Other International	**13 703**	12 449
Total policy liabilities	**428 331**	403 290

Retail credit

Retail credit business relates mainly to loan business provided by Sanlam Personal Loans (SPL) and to the retail credit businesses in the Sanlam Emerging Markets (SEM) cluster.

Sanlam Personal Loans

The balance of loans advanced by SPL to clients at 31 December 2015 is shown below:

R million	2015	2014
Sanlam Personal Loans		
Gross balance	**4 195**	3 984
Provisions	**(294)**	(248)
Net balance	**3 901**	3 736

The main risk emanating from the retail credit operations is credit risk. The Group's maximum exposure to credit risk comprises the following:

- As SPL is a joint venture that has been equity-accounted based on Sanlam's percentage interest in its net asset value, the Group is exposed to credit risk to the value of the investment, which is disclosed in note 7 on page 43.
- The Group Treasury function has also provided financing to SPL of R2 917 million at 31 December 2015 (2014: R2 889 million). This exposure is managed by the Capital Management operations.

Credit risk consists of credit standing and default risk. It is the company's policy to subject its potential customers to credit rating procedures. In addition, balances of advances are monitored on an ongoing basis. Collections strategies are in place to mitigate credit risk and all accounts in arrear are given due priority.

Sanlam Emerging Markets

Retail credit and structuring profits have become a significant part of SEM's operating earnings. This is due to the addition of the investment in Shriram Capital (which has indirect holdings in Shriram Transport Finance Company and Shriram City Union Finance) and a direct holding in Shriram Transport Finance Company. The carrying value of these investments on the Group Statement of Financial Position is R7 704 million (2014: R5 648 million), of which approximately 75% (2014: 76%) is attributed to credit business and the majority of the remainder to general insurance business. Other significant retail credit and structuring investments include Letshego that is owned by Botswana Insurance Holdings (carrying value of R1 784 million (2014: R1 523 million)) and Capricorn Investment Holdings (which has a stake in Bank Windhoek Holdings and carrying value of R920 million (2014: R844 million)) in Namibia.

The main risk emanating from the retail credit and structuring operations is credit risk. These investments have been equity accounted to reflect SEM's percentage interest in the net asset value of the respective investments. SEM's exposure to credit risk in these investments is limited to the value of SEM's investment in these businesses.

SEM's credit risk management process entails the monitoring of key drivers in each of the significant retail credit and structuring businesses, including an analysis of trends. Risk parameters have been set for each of these key drivers and performance against these targets is monitored and reported to the SEM Audit, Actuarial and Risk committee on a quarterly basis. SEM benefits from the diversification provided by the geographic spread of its operations (throughout Africa and South East Asia), types of credit provided (secured and unsecured lending) and range of market segments targeted. This inherently reduces the overall level of credit risk exposure.

General Insurance

Santam

Santam has developed an internal model to analyse the quantifiable risks. The model covers the following risk catergories:

- market risk;
- insurance risk;
- reinsurance risk;
- credit risk; and
- operational risk.

The model is also used to aggregate the individual risk modules into a single economic capital requirement amount.

A number of risks faced by Santam are not modelled in the internal model, namely: strategic, liquidity, conduct, reputational, political, regulatory, compliance, sovereign downgrade, legal and outsourcing risks. These risks are analysed individually by management and appropriate measures are implemented to monitor and mitigate these risks.

Santam has formulated a risk appetite policy which aims to quantify the amount of capital the business is willing to put at risk in the pursuit of value creation. It is within this risk appetite framework that Santam has selected its asset allocation and reinsurance program which are among the most important determinants of risk and hence capital requirements within the organisation. The internal model allows for the measurement of Santam's expected performance relative to the risk appetite assessment criteria agreed to by Santam's Board.

Insurance risk

Santam issues contracts that transfer insurance risk or financial risk or both. Santam manages insurance risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. This section summarises these risks and the way Santam manages them.

In general, Santam issues personal, commercial and cell insurance policies that include the following terms and conditions:

Engineering – Provides cover for risks relating to:

- The possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business;
- The erection of buildings or other structures or the undertaking of other works; and
- The installation of machinery or equipment.

Guarantee – A contract whereby the insurer assumes an obligation to discharge the debts or other obligations of another person in the event of the failure of that person to do so.

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

Motor – Covers risks relating to the possession, use or ownership of a motor vehicle. This cover can include risks relating to vehicle accident, theft or damage to third-party property or legal liability arising from the possession, use or ownership of the insured vehicle.

Accident and health – Provides cover for death, disability and certain health events. This excludes the benefits to the provider of health services, and is linked directly to the expenditure in respect of health services.

Property – Covers risks relating to the use, ownership, loss of or damage to movable or immovable property other than a risk covered more specifically under another insurance contract.

Transportation – Covers risks relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water. It also covers risks relating to the storage, treatment or handling of goods that are conveyed.

Crop – Provides indemnity for crops while still on the field against hail, drought and excessive rainfall. Cover ceases as soon as harvesting has taken place.

Alternative risk transfer (ART) – The use of techniques, other than traditional insurance, that include at least an element of insurance risk, to provide entities with risk coverage or protection.

Insurance risk in Santam arises from:

fluctuations in the timing, frequency and severity of insured events. Insurance risk also includes the risk that premium provisions turn out to be insufficient to compensate claims as well as the risk resulting from the volatility of expense payments. Expense risk is implicitly included as part of the insurance risk.

In order to quantify the insurance risk faced by Santam, a stochastic simulation of Santam's claims is performed at a line of business level within Santam's internal model. Assumptions for each line of business are determined based on more than ten years' worth of historic data. The expected claims liabilities are modelled for specific lines of business, which are then split into the appropriate sub-classes. For each sub-class of business, three types of losses are modelled, namely: attritional losses, individual large losses and catastrophe losses. Each of the sub-classes is modelled based on its own assumptions whose methodology and calibration are thoroughly documented in the internal model documentation.

The attritional losses are modelled as a percentage of the premium. The large losses are modelled by fitting separate distributions to the claims frequency and the claim severity.

Santam also models various catastrophes and the losses from each catastrophe are allocated to multiple classes of business. The following catastrophes are modelled: Earthquake, Storm (small), Storm (large), Hail (excluding crop damage), Marine (cargo), Aviation (hull/liability), Conflagration (property), Conflagration (liability), Utility Failure, Latent Liability and Economic Downturn.

The net claims ratio for Santam, which is important in monitoring insurance risk, has developed as follows over the past seven years:

Loss history	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Claims paid and provided %*	62.1	63.1	69.3	68.3	64.2	64.1	70.6

**Expressed as a percentage of net earned premiums*

Pricing for Santam's products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain the businesses' principal cost, Santam also makes allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital.

Underwriting limits are set for business units, underwriting managers and intermediaries to ensure that this policy is consistently applied. Underwriting performance is monitored continuously and the pricing policy is revised accordingly. Risk factors considered as part of the review would typically include factors such as age of the insured person, past loss experiences, past insurance history, type and value of asset covered, security measures taken to protect the asset and major use of the covered item. Santam has the right to reprice and change the conditions for accepting risks on renewal and/or 30 days.

Expenses are monitored by each business unit based on an approved budget and business plan.

The underwriting strategy aims to ensure that the risks underwritten are well diversified in terms of type and amount of risk, size and geography. The Santam group has a sufficiently diversified portfolio based on insurance classes. Santam is currently focusing on obtaining international geographical diversification through the business written by Santam Re and the Santam Specialist business.

Insurance risk is further mitigated by ensuring that reserve and reinsurance risk is adequately managed.
Claims development tables

The presentation of the claims development tables for Santam, is based on the actual date of the event that caused the claim (accident year basis). The claims development tables represent the development of actual claims paid.

Payment development

General insurance claims - gross

		Claims paid in respect of (i.e. accident year)							
	Total	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008 and prior**
Reporting year	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**
	Actual claims costs:								
- 2015	**14 019**	9 786	3 388	354	247	112	86	14	32
- 2014	**13 556**	-	9 031	3 578	493	173	188	64	29
- 2013	**13 148**	-	-	9 152	3 411	250	154	106	75
- 2012	**11 340**	-	-	-	8 176	2 366	370	171	257
- 2011	**10 327**	-	-	-	-	7 767	2 141	247	172
- 2010	**9 999**	-	-	-	-	-	7 144	2 236	619
- 2009	**10 016**	-	-	-	-	-	-	7 702	2 314
- 2008	**8 996**	-	-	-	-	-	-	-	8 996
Cumulative payments to date	**91 401**	**9 786**	**12 419**	**13 084**	**12 327**	**10 668**	**10 083**	**10 540**	**12 494**

General insurance claims - net

		Claims paid in respect of (i.e. accident year)							
	Total	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008 & prior**
Reporting year	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**	**R million**
	Actual claims costs:								
- 2015	**11 476**	8 734	2 239	171	172	75	71	7	7
- 2014	**11 040**	-	7 927	2 489	323	131	108	50	12
- 2013	**11 335**	-	-	8 423	2 493	168	127	79	45
- 2012	**9 904**	-	-	-	7 616	1 743	250	116	179
- 2011	**8 989**	-	-	-	-	7 082	1 673	148	86
- 2010	**8 710**	-	-	-	-	-	6 401	1 816	493
- 2009	**8 805**	-	-	-	-	-	-	6 928	1 877
- 2008	**7 727**	-	-	-	-	-	-	-	7 727
Cumulative payments to date	**77 986**	**8 734**	**10 166**	**11 083**	**10 604**	**9 199**	**8 630**	**9 144**	**10 426**

Reporting development

General insurance claims provision - gross

Reporting year	Total	2015	2014	2013	2012	2011	2010	2009	2008 & prior
	R million	R million	R million	R million	R million	R million	R million	R million	R million
Provision raised:									
- 2015	**6 279**	3 100	1 577	758	208	193	223	109	111
- 2014	**6 240**	-	4 069	844	410	206	257	212	242
- 2013	**5 523**	-	-	3 267	788	376	462	195	435
- 2012	**4 948**	-	-	-	3 133	599	434	304	478
- 2011	**4 192**	-	-	-	-	2 448	652	333	759
- 2010	**3 777**	-	-	-	-	-	2 325	556	896
- 2009	**4 288**	-	-	-	-	-	-	2 617	1 671
- 2008	**4 075**	-	-	-	-	-	-	-	4 075
	39 322	**3 100**	**5 646**	**4 869**	**4 539**	**3 822**	**4 353**	**4 326**	**8 667**

Financial year during which claim occurred (i.e. accident year) applies to columns 2015 to 2008 & prior.

General insurance claims provision - net

Reporting year	Total	2015	2014	2013	2012	2011	2010	2009	2008 & prior
	R million	R million	R million	R million	R million	R million	R million	R million	R million
Provision raised:									
- 2015	**4 056**	2 291	581	348	197	257	193	103	86
- 2014	**3 968**	-	2 337	448	325	239	221	191	207
- 2013	**4 207**	-	-	2 459	568	331	298	172	379
- 2012	**3 971**	-	-	-	2 550	466	326	241	388
- 2011	**3 273**	-	-	-	-	1 919	509	260	585
- 2010	**2 896**	-	-	-	-	-	1 813	402	681
- 2009	**2 952**	-	-	-	-	-	-	1 861	1 091
- 2008	**2 699**	-	-	-	-	-	-	-	2 699
	28 022	**2 291**	**2 918**	**3 255**	**3 640**	**3 212**	**3 360**	**3 230**	**6 116**

Financial year during which claim occurred (i.e. accident year) applies to columns 2015 to 2008 & prior.

Reserving

Reserve risk relates to the risk that the claim provisions held for both reported and unreported claims as well as their associated expenses may prove insufficient.

Santam currently calculates its technical reserves on two different methodologies, namely the ‘percentile approach’ and the ‘cost-of-capital approach’. The ‘percentile approach’ is used to evaluate the adequacy of technical reserves for financial reporting purposes, while the ‘cost-of-capital approach’ is used as one of the inputs for regulatory reporting purposes.

Percentile Approach

Under this methodology, reserves are held to be at least sufficie at the 75th percentile of the ultimate loss distribution.

The first step in the process is to calculate a best-estimate reserve. Being a best-estimate, there is an equally likely chance that the actual amount needed to pay future claims will be higher or lower than this calculated value.

The next step is to determine a risk margin. The risk margin is calculated such that there is now at least a 75% probability that the reserves will be sufficient to cover future claims.

Cost of Capital Approach

The cost-of-capital approach to reserving is aimed at determining a market value for the liabilities on the statement of financial position. This is accomplished by calculating the cost of transferring the liabilities, including their associated expenses, to an independent third party.

The cost of transferring the liabilities off the statement of financial position involves calculating a best-estimate of the expected future cost of claims, including all related run-off expenses, as well as a margin for the cost of capital that the independent third-party would need to hold to back the future claims payments.

Two key differences between the percentile and cost-of-capital approaches are that under the cost-of-capital approach, reserves must be discounted using a term-dependent interest rate structure and that an allowance must be made for unallocated loss adjustment expenses.

The cost-of-capital approach will result in different levels of sufficiency per class underwritten so as to capture the differing levels of risk inherent within the different classes. This is in line with the principles of risk based solvency measurement.

Reinsurance risk

Reinsurance risk is the risk that the reinsurance cover placed is inadequate and/or inefficient relative to the Santam's risk management strategy and objectives. Santam obtains third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or capital. Santam has an extensive reinsurance program that has developed over a number of years to suit the risk management needs of the business.

An internal model is used to evaluate the type and quantum of reinsurance to purchase within Santam's risk appetite framework. The reinsurance programme is placed on the local and international reinsurance markets. Reinsurance arrangements in place include proportional, excess of loss, stop loss and catastrophe coverage.

The core components of the reinsurance program comprise:

- Individual excess-of-loss cover for property, liability, engineering, aviation and marine risks, which provides protection to limit losses to the range of R25 million to R50 million per risk, excluding reinstatement premiums due as a result of the claim against the cover. In 2016 the range was increased to a maximum of R85 million per risk;
- Catastrophe cover to the extent of 1.3% of the total exposure of the significant geographical areas, amounting to protection of up to R8.4 billion (2014: R8.0 billion) per event in excess of an attachment point of R100 million. These balances include catastrophe cover of R1.2 billion for each year included in the alternative risk transfer quota share arrangement as described below. At the same time catastrophe protection for an aggregate of losses from events above R50 million where such losses exceed R100 million was put in place in 2013. The cover is for an amount of R100 million in excess of a R100 million aggregate deductible;
- Santam's agriculture portfolio is protected through a 60% proportional and a non-proportional reinsurance arrangement with non-proportional cover set at levels offering protection from extreme loss events; and
- Santam Re purchases retrocession protection on its international portfolio. This protection is in the form of a 45% quota share on specified territories and catastrophe excess of loss with a gross attachment point of US$10 million. For exposures in South Africa and Africa a per risk protection is in place.

Santam has implemented arrangements to support growth in territories outside South Africa in situations where this is dependent on Santam's S&P international rating scale rating. In terms of these arrangements, Santam has facilitated the use of an international insurer's AA-rated licence for such business, if required. As part of the arrangement with the international insurer, Santam entered into an alternative risk transfer quota share agreement effective from 1 January 2014, which reduced net earned premiums by R1 billion during 2015 and 2014. The agreement generated dollar-denominated collateral to support Santam's use of the international insurer's AA-rated licence. During 2015, the collateral was replaced with an unsecured letter of credit and the cash collateral repaid to Santam.. The agreement also reduces Santam's net catastrophe exposure.

The Santam Board approves the reinsurance renewal process on an annual basis. The major portion of the reinsurance program is placed with external reinsurers that have an international credit rating of no less than A- from Standard & Poor's or AM Best, unless specific approval is obtained from the board to use reinsurers with ratings lower than the agreed benchmark. Santam's reinsurers currently have credit ratings of between AA- and A- (2014: A and BBB-), measured on an international scale.

Credit risk

Credit risk reflects the financial impact of the default of one or more of Santam's counterparties.
Santam is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where Santam is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations;
- Reinsurer default on presentation of a large claim;
- Reinsurers default on their share of Santam's insurance liabilities; and
- Default on amounts due from insurance contract intermediaries.

Santam continuously monitors its exposure to its counterparties for financial statement as well as regulatory reporting purposes. It has therefore established a number of criteria in its risk appetite statement to monitor concentration risk and provide feedback to management and the risk committee on at least a quarterly basis.

Santam determines the credit quality for each of its counterparties by reference to the probability of default on the basis of assessments made by the rating agency over a one-year time horizon and the resulting loss given default. The underlying default probabilities are based on the credit migration models developed by Standard & Poor's, Fitch and Moody's which incorporate up to ninety years' worth of credit default information.

For default risk Santam uses a model which is largely based on the Basel II regulation.

Credit risk capital is held for the following type of exposure:

- Risk based assets such as bonds and bank deposits;
- Outstanding premiums due from intermediaries and reinsurance receivables due from reinsurers;
- Reinsurance claims provisions; and
- Exposure to potential reinsurance recoveries based on the losses generated by the internal model.

For concentration risk Santam uses the proposed SAM methodology. The calculation is performed in four steps:

- Determine the exposure by counterparty;
- Calculate the excess exposure above a specified threshold level;
- Apply a charge to this excess exposure; and
- Aggregate the individual charges to obtain an overall capital requirement for concentration risk.

Santam is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries. Santam Group's protected portion of receivables due from contract holders and intermediaries amounts to 48.2% (2014: 55.7%). For Santam (the company), this amounts to 50.7% (2014: 56.4%). Debtors falling into the 'Not rated' category are managed by the internal credit control department on a daily basis to ensure recoverability of amounts.

Santam seeks to avoid concentration of credit risk to groups of counterparties, to business sectors, product types and geographical segments. The financial instruments, except for amounts owed by reinsurers and Santam's exposure to the four large South African banks, do not represent a concentration of credit risk. In terms of Santam's internal risk appetite framework no more than 15% of total portfolio assets are generally invested in any one of the four major South African banks. Accounts receivable is spread over a number of major companies and intermediary parties, clients and geographic areas. Santam assesses concentration risk for debt securities, money market instruments and cash collectively. Santam does not have concentrations in these instruments to any one company exceeding 15% of total debt securities, money market instruments or cash, except for ABSA where the total exposure amounted to 22.8%, mainly due to the designated foreign bank balance held in anticipation of the acquisition of the Saham Finances investment.

Santam uses a large panel of secure reinsurance companies. The credit risk of reinsurers included in the reinsurance programme is considered annually by reviewing their financial strength as part of the renewal process. Santam's largest reinsurance counterparty is Allianz (2014: Allianz). The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed.

In the event that claims incurred by the cell captive exceed the related assets, Santamwill be exposed to the credit risk of the related cell owners until the solvency requirements of the cell captives have been met by the cell owner. Cell owners' credit risk is evaluated before new cell arrangements are established. Solvency levels of cells are assessed on a regular basis.

The following table provides information regarding the aggregated credit risk exposure for financial and insurance assets. The ratings disclosed are derived from international, national and internal ratings, and have been standardized to the equivalent Fitch local long-term rates.

31 December 2015

R million	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	Other	Carrying value R million
Debt securities - quoted	2 475	582	-	1 084	-	403	-	-	128	66	4 738
Debt securities - unquoted	1 983	2 468	-	353	-	80	-	-	13	86	4 983
Short-term money market instruments	799	878	-	285	8	150	-	21	88	52	2 281
Receivables due from contract holders/intermediaries	82	-	27	-	39	-	-	-	2 315	-	2 463
Reinsurance receivables	81	-	-	-	-	-	-	-	128	-	209
Other loans and receivables	67	-	84	-	54	-	2	-	568	2	777
Cell owners' interest	-	-	-	-	-	-	-	-	6	-	6
Deposit with cell owner	-	-	-	-	-	-	-	-	254	-	254
Cash and cash equivalents	544	251	-	2 172	-	370	-	-	12	-	3 349
	6 031	4 179	111	3 894	101	1 003	2	21	3 512	206	19 060

31 December 2014 [(1)]

R million	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	Other	Carrying value R million
Debt securities - quoted	1 266	562	-	908	-	351	-	-	372	148	3 607
Debt securities - unquoted	1 624	2 073	-	365	-	28	-	-	5	134	4 229
Short-term money market instruments	630	547	-	358	-	161	-	-	118	76	1 890
Receivables due from contract holders/intermediaries	87	-	8	-	20	-	-	-	2 122	-	2 237
Reinsurance receivables	33	-	10	-	17	-	-	-	102	-	162
Other loans and receivables	59	-	47	-	11	-	21	-	330	4	472
Cell owners' interest	-	-	-	-	-	-	-	-	9	-	9
Cash and cash equivalents	950	511	-	959	-	-	-	-	134	7	2 561
	4 649	3 693	65	2 590	48	540	21	-	3 192	369	15 167

(1) *Management has refined the allocation process for securities without credit ratings to better reflect the credit risk exposure. Credit ratings have also been aligned with the national ratings methodology used by the rest of Sanlam Life and not the Fitch international equivalent ratings as previously disclosed. Comparatives were restated accordingly.*

The carrying amount of assets included in the statement of financial position represents the maximum credit exposure.

There are no material financial assets that would have been past due or impaired had the terms not been renegotiated.

Market risk

Market risk arises from the level or volatility of the market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, equity prices and exchange rates. The following financial and insurance assets, disclosed based on similar characteristics, are affected by market risk:

- Equity securities
- Debt securities
- Receivables due from contract holders/Intermediaries
- Reinsurance receivables
- Reinsurance assets
- Deferred acquisition costs
- Other loans and receivables
- Cash and cash equivalents
- Short-term money market instruments
- Cell owners' interest
- Derivatives

Santam uses a number of sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These stress tests combine deterministic shocks, analysis of historical scenarios and stochastic modeling using the internal capital model to inform Santam's decision making and planning process and also for identification and management of risks within the business units. Each of the major components of market risk faced by Santam is described in more detail below.

Price risk

Santam is subject to price risk due to daily changes in the market values of its equity portfolios. Santam is not directly exposed to commodity price risk.

Equity price risk arises from the negative effect that a fall in the market value of equities can have on Santam's net asset value. Santam's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modeling methods. Santam sets appropriate risk limits to ensure that no significant concentrations in individual companies arise. A long-term view is taken when agreeing investment mandates with the relevant portfolio managers and Santam looks to build value over a sustained period of time rather than utilising high level of purchase and sales in order to generate short-term gains from its equity holdings.
Santam makes use of derivative products as appropriate to manage equity exposure and to protect the portfolio from losses outside of its risk appetite.

Interest rate risk

Interest rate risk arises from the net effect on its assets and liabilities to a change in the level of interest rates. The market value of bonds and other fixed interest bearing financial instruments are dependent on the level of interest rates. This includes movements in fixed income prices reflecting changes in expectations of credit losses, changes in investor risk aversion, or price changes caused by market liquidity. The income received from floating rate interest bearing financial instruments is also affected by changes in interest rates.

An assumption is made that the assets backing the subordinated debt portfolio are adequately providing cover for the liabilities i.e. the market value of the subordinated debt and the market value of the assets backing the debt react the same way to changes in interest rates.

Exposure to interest rate risk is monitored through several methods that include scenario testing and stress testing using measures such as duration. The bond returns are modelled based on the historic performance of the individual bonds held in the portfolio, and adjusted to reflect the current interest rates and inflation environment.

Interest rate risk is also managed using derivative instruments, such as swaps, to provide a degree of hedging against unfavourable market movements in interest rates. At 31 December 2015, Santam had an interest rate swap agreement to partially mitigate the effects of potential adverse interest rate movements on financial assets underlying the unsecured subordinated callable notes. The interest rate swaps have been effected on a total of R100 million (2014: R106 million) of fixed interest securities exposure held in the investment portfolio underlining the subordinated callable note. The interest rate swaps have the effect of swapping a variable interest rate for a fixed interest rate on these assets to eliminate interest rate risk on assets supporting the bond liability. The derivatives mature on 12 June 2017. At 31 December 2015, Santam also had exchange traded futures with an exposure value of R585 million (2014: no exposure).

General insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing. Interest-bearing instruments with a fixed rate give rise to fair value interest rate risk, while interest-bearing instruments with a floating rate give rise to cash flow interest rate risk.

Currency risk

Foreign currency risk is the risk that Santam will be negatively impacted by changes in the level or volatility of currency exchange rates relative to the South African Rand. Santam's primary foreign currency exposures are to the pound sterling and the US dollar.

Santam incurs exposure to currency risk in two ways:
- Operational currency risk – by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non functional currencies); and
- Structural currency risk – by mainly investing in Sanlam Emerging Market (SEM) target shares.

These risks affect both the value of Santam's assets as well as the cost of claims, particularly for imported motor parts. The fair value of the investments in the SEM target shares is impacted by changes in the foreign exchange rates of the underlying operations. Santam is also pursuing international diversification in underwriting operations through the business written by Santam Re and the specialist underwriting managers.

Santam does not take cover on foreign currency balances, but evaluates the need for cover on transactions on a case by case basis.

During November 2015, agreements were concluded whereby SEM and Santam will jointly acquire an effective 30% interest in Saham Finances, the insurance arm of the Saham Group, from the Abraaj Group, the International Finance Corporation and the IFC African Latin American and Caribbean Fund. The acquisition will be structured through a special purpose vehicle held jointly by SEM (75%) and Santam (25%) for a total cash consideration, including transaction costs, of US$400 million.

The effective date of this transaction was dependent on the fulfilment of the conditions precedent and is expected to close shortly.

In terms of Santam's risk management strategy, foreign currency risks can be assessed on a case by case basis to determine whether specific hedging requirements exists. The proposed transaction with Saham Finances was therefore assessed and it was concluded by the investment committee and the board that the foreign currency risk relating to this transaction should be appropriately hedged.

The hedging strategy that was approved consists of obtaining funding from the following internal capital resources:
- US$35 million was purchased in the market in November 2015;
- The balance was obtained from existing US dollar assets.

The dedicated capital resources mentioned above were designated as the hedging instrument and the proposed acquisition as described above was identified as the hedged item. The implementation date of the hedge was 24 November 2015. The impact of this was that the foreign currency gains of R134 million recognised on the dedicated cash balances since the designation date were not recognised in profit or loss but was recognised in equity (see page 129 for more details).

Derivatives risk

Santam uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates and equity prices. Santam does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. There is a policy on the use of derivatives that is approved by the Santam Investment Committee and the Board, which governs the use of derivative financial instruments.

Over-the-counter derivative contracts are entered into only with approved counterparties, in accordance with Santam policies, effectively reducing the risk of credit loss. Santam applies strict requirements to the administration and valuation process it uses, and has a control framework that is consistent with market and industry practice for the activity that it has undertaken.

Liquidity risk

Santam manages the liquidity requirements by matching the duration of the assets invested to the corresponding liabilities. The net insurance liabilities are covered by investments with limited capital risk (i.e. cash and interest bearing instruments) while Santam's subordinated debt obligation is covered by matching cash and interest bearing instruments (including interest rate swaps).

The cash mandates include market risk limitations (average duration and maximum duration per instrument) to ensure adequate availability of liquid funds to meet Santam's payment obligations.

Santam's shareholders funds are invested in a combination of interest bearing instruments, preference shares, listed equities and unlisted investments. The listed equity portfolio is a well-diversified portfolio with highly liquid shares.

Sanlam Emerging Markets

Sanlam Emerging Market's (SEM) exposure to general insurance business includes an investment in Shriram General Insurance (through the holding in Shriram Capital) in India and a holding in Pacific & Orient (carrying value of R1 043 million (2014: R1 005 million)) in Malaysia. In addition to these investments SEM holds smaller stakes in various other general insurance businesses across Africa.

The main risk emanating from the general insurance operations is insurance risk. This risk is managed through reinsurance, close monitoring of claims and sound underwriting practices.

The general insurance investments have been equity accounted to reflect SEM's percentage interest in the net asset value of the respective investments. SEM's exposure is limited to the value of the investment in these businesses.

Corporate

The Corporate Cluster is responsible for areas of financial risk management that are not allocated to individual businesses.

1. Liquidity risk

Term finance liabilities in respect of margin business are matched by appropriate assets with the same maturity profile. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities. The Group has significant liquid resources and substantial unutilised banking facilities to cover any mismatch position.

The maturity profile of term finance liabilities in respect of the margin business and the assets held to match this term finance is provided in the following table:

R million	**<1 year**	**1-5years**	**>5 years**	**Open ended**	**Total**
31 December 2015					
Term finance liabilities	**(300)**	**-**	**-**	**-**	**(300)**
Interest-bearing liabilities held in respect of margin business (refer note 16.1 in the annual financial statements)	**(300)**	**-**	**-**	**-**	**(300)**
Assets held in respect of term finance	**(9)**	**28**	**-**	**281**	**300**
Equities and similar securities	**-**	**-**	**-**	**281**	**281**
Corporate interest bearing investments	**13**	**21**	**-**	**-**	**34**
Mortgages, policy and other loans	**-**	**1**	**-**	**-**	**1**
Structured transactions	**3**	**1**	**-**	**-**	**4**
Cash, deposits and similar securities	**5**	**5**	**-**	**-**	**10**
Working capital assets and liabilities	**(30)**	**-**	**-**	**-**	**(30)**
Net term finance liquidity position	**(309)**	**28**	**-**	**281**	**-**

R million	**<1 year**	**1-5years**	**>5 years**	**Open ended**	**Total**
31 December 2014					
Term finance liabilities	(300)	-	-	-	(300)
Interest-bearing liabilities held in respect of margin business (refer note 16.1 in the annual financial statements)	(300)	-	-	-	(300)
Assets held in respect of term finance	1	7	-	292	300
Equities and similar securities	-	-	-	292	292
Corporate interest bearing investments	4	5	-	-	9
Structured transactions	-	1	-	-	1
Cash, deposits and similar securities	2	1	-	-	3
Working capital assets and liabilities	(5)	-	-	-	(5)
Net term finance liquidity position	(299)	7	-	292	-

The unsecured subordinated bonds issued by Sanlam Life Insurance Limited, which are matched by appropriate assets with similar maturity profiles, are also managed by the Corporate Cluster. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities.

The maturity profile of the term finance liabilities in respect of the unsecured subordinated bonds and the assets held to match this term finance is provided in the following table:

R million	<1 year	1-5 years	>5 years	Open ended	Total
31 December 2015					
Term finance liabilities					
Interest-bearing liabilities	**-**	**-**	**(1 939)**	**-**	**(1 939)**
Assets held in respect of term finance	**193**	**1 234**	**198**	**314**	**1 939**
Government interest bearing investments	**-**	**-**	**31**	**-**	**31**
Corporate interest bearing investments	**158**	**881**	**167**	**-**	**1 206**
Mortgages, policy and other loans	**5**	**30**	**-**	**-**	**35**
Structured transactions	**52**	**323**	**-**	**-**	**375**
Investment funds	**-**	**-**	**-**	**314**	**314**
Cash, deposits and similar securities	**48**	**-**	**-**	**-**	**48**
Working capital assets and liabilities	**(70)**	**-**	**-**	**-**	**(70)**
Net term finance liquidity position	**193**	**1 234**	**(1 741)**	**314**	**-**
31 December 2014					
Term finance liabilities					
Interest-bearing liabilities	-	-	(2 007)	-	(2 007)
Assets held in respect of term finance	185	992	537	293	2 007
Government interest bearing investment	14	12	33	-	59
Corporate interest bearing investments	172	792	493	-	1 457
Mortgages, policy and other loan	-	49	11	-	60
Structured transactions	24	139	-	-	163
Investment funds	-	-	-	293	293
Cash, deposits and similar securities	34	-	-	-	34
Working capital assets and liabilities	(59)	-	-	-	(59)
Net term finance liquidity position	185	992	(1 470)	293	-

2. Sensitivity analysis – market risk

Refer to page 165 for an analysis of the Group's exposure to market risk in the Sanlam Annual Report.

3. Cash flow hedging

Saham transaction

During November 2015, agreements were concluded whereby the Group will acquire an effective 30% interest in Saham Finances, the insurance arm of the Saham Group, from the Abraaj Group, the International Finance Corporation and the IFC African Latin American and Caribbean Fund. The acquisition will be structured through a special purpose vehicle held jointly by Sanlam Emerging Markets as to 75% and Santam as to 25%, for a total cash consideration of US$400 million including transaction and related costs.

Saham Finances is an insurance group with operations in 26 countries across North, West and East Africa, and the Middle East. It is the largest insurer in Africa, excluding South Africa. The majority (exceeding 80%) of Saham Finances' business is non-life business which is underwritten through its 49 subsidiaries, and has a network of 650 branches with an employee complement of more than 3 000 people. Saham Finances also has a leading market share in many of its markets.

The effective date of this transaction was dependent on the fulfilment of the conditions precedent and the transaction is expected to be closed shortly.

In terms of Sanlam's risk management strategy, foreign currency risks can be assessed on a case by case basis to determine whether specific hedging requirements exists. The proposed transaction with Saham Finances was therefore assessed and it was concluded by the Executive committee and the Board that the foreign currency risk relating to this transaction should be appropriately hedged.

The hedging strategy was implemented by acquiring the foreign currency required to settle the acquisition cost of $400 million:

- $332 million was purchased in the market in November 2015;
- The balance was funded from existing dollar assets available within the Group.

The designated capital resources were identified as the hedging instrument and the proposed acquisition as described above was identified as the hedge item. The implementation date of the hedge was 24 November 2015.

To determine the expected effectiveness of the hedge the "critical terms comparison method" as well as the "Dollar offset method" (i.e. the ratio of the cumulative foreign currency movements on the designated funding resources divided by the cumulative foreign currency movements on the purchase price) was considered. In terms of the "critical terms comparison" method it was concluded that the acquisition contracts have been signed and that no further changes are expected to the purchase price that was contractually determined. The foreign currency movement on both the purchase price and the designated funding resources should therefore be in line. When applying the "dollar offset method" it was concluded that because the designated funding resources do not accrue any interest, the foreign currency movement relating to both the purchase price and the designated funding resources should be in line (i.e. within 80%-125%). The effectiveness testing will be applied throughout the hedging period. At 31 December 2015 the hedge was still effective.

Shriram transaction

Sanlam Emerging Markets (SEM) currently holds an effective 26% in Shriram Capital Limited (SCL), which in turn holds 99.96% of Shriram General Insurance Company Limited (SGIC) and 97.56% of Shriram Life Insurance Company Limited (SLIC). SEM intends to acquire additional direct interests in SGIC and SLIC of 23% each, as well as an additional contribution to Shriram Capital Limited. The total consideration for these transactions will be approximately Rs502Cr.

Sanlam Life acquired US$ currency on 17 September 2015 ($75 million) in anticipation of the transaction. Of this, some $69.4 million will be used for the transaction. US$/INR call and put instruments were also entered into during 2015 to hedge the US$/INR leg of the exposure.

For purposes of the 2015 year-end reporting this transaction was deemed to be a highly probable forecast transaction and as a result cashflow hedge accounting has been applied for purposes of the Sanlam Life Insurance Limited Group and the Sanlam Limited Group IFRS financial statements. The implementation of the hedge was 17 September 2015. Similar to the Saham transaction above, effectiveness testing will be performed throughout the hedging period. At 31 December 2015 the hedge was still effective.

SANLAM LIFE INSURANCE LIMITED COMPANY

The tables below are presented in terms of the requirements of International Financial Reporting Standards and are for information purposes only. In management's view they do not present a true reflection of the company's risk exposure and the management thereof. The information presented in the remainder of this report is also reflective of the underlying risk exposure of the company and is in line with the Group's risk management process.

EQUITY AND INTEREST RATE RISK

SHAREHOLDERS' FUND - LIFE INSURANCE

R million	2015	2014
Property and equipment	242	219
Owner-occupied properties	497	492
Intangible assets	926	943
Deferred acquisition costs	2 273	2 161
Investments	77 921	75 248
Properties	130	240
Investment in subsidiaries, joint ventures and associates	48 062	43 577
Equities and similar securities	9 974	12 306
Interest bearing investments	6 315	8 751
Structured transactions	1 151	1 466
Investment funds	5 681	5 697
Cash, deposits and similar securities	6 608	3 211
Term finance	(1 960)	(2 040)
Net deferred tax	(727)	(866)
Structured transaction liabilities	(31)	(2)
Net working capital liabilities	(1 171)	(7 999)
Shareholders' fund	77 970	68 156

CURRENCY RISK

Company

31 December 2015 **R million**	**Euro**	**United States Dollar**	**British Pound**	**African Assets**	**Indian Rupee**	**Other**	**Total**
Equities and similar securities	366	595	198	-	-	254	1 413
Investment in subsidiaries, joint ventures and associates	-	-	-	-	1 357	-	1 357
Interest bearing investments	-	-	-	-	-	42	42
Investment funds	1	573	1	-	-	174	749
Structured transactions	-	(8)	-	-	-	-	(8)
Cash, deposits and similar securities [(1)]	8	5 928	5	-	-	35	5 976
Net working capital assets	(4)	(2)	-	-	-	(1)	(7)
Capital portfolio	371	7 086	204	-	1 357	504	9 522
Exchange rates (Rand):							
Closing rate	16.84	15.49	22.83		0.24		
Average rate	14.09	12.69	19.40		0.20		

31 December 2014 **R million**	**Euro**	**United States Dollar**	**British Pound**	**African Assets**	**Indian Rupee**	**Other**	**Total**
Equities and similar securities	428	532	156	2	-	215	1 333
Investment in subsidiaries, joint ventures and associates	-	-	-	-	1 371	-	1 371
Interest bearing investments	-	-	-	-	-	45	45
Investment funds	1	505	1	-	-	11	518
Structured transactions	-	1	-	-	-	-	1
Cash, deposits and similar securities	71	21	73	-	-	16	181
Net working capital assets	-	1	-	-	-	-	1
Capital portfolio	500	1 060	230	2	1 371	287	3 450
Exchange rates (Rand):							
Closing rate	14.01	11.57	18.05		0.18		
Average rate	14.38	10.84	17.85		0.18		

(1) *Includes cash held for Saham, Shriram Life and Shriram General Insurance transactions. Refer to pages 129 and 130 for more information.*

Sensitivities

Changes in investment return assumptions have an impact on the return on the company's capital, as changes in the market value of the capital portfolio's investments will have a commensurate impact on earnings for the year, and the future profitability of the life insurance operations as reflected in the impact on the value of in-force business (the present value of future after-tax profit to be earned from covered business). If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be an increase of R740 million (2014: increase of R854 million).

The impact on current year profit of the above scenarios is limited, due to the company's policy of closely matching assets and liabilities together with the fact that any mismatch profits and losses in respect of non-participating life business are absorbed by the asset mismatch reserve, while this reserve has a positive balance.

CREDIT RISK

Company
Credit risk concentration by credit rating:
R million

31 December 2015	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	Other	Not rated *	Total
Assets backing policy liabilities												
Government interest bearing investments	42 736	675	372	387	-	-	-	-	-	-	(19)	44 151
Corporate interest bearing investments	1 180	10 223	9 899	3 455	2 703	3 328	704	-	2 567	337	444	34 840
Mortgages and loans	432	-	154	118	400	339	131	-	950	368	780	3 672
Cash, deposits and similar securities	4 639	1 344	1 722	97	-	-	-	-	34	13	894	8 743
Net working capital assets	-	-	-	-	-	-	-		-	-	1 486	1 486
	48 987	**12 242**	**12 147**	**4 057**	**3 103**	**3 667**	**835**	**-**	**3 551**	**718**	**3 585**	**92 892**
Capital portfolio												
Government interest bearing investments	30	-	10	20	-	-	-	-	-	-	19	79
Corporate interest bearing investments	660	1 378	1 510	883	375	450	195	-	87	304	192	6 034
Mortgages and loans	-	-	-	-	-	35	18	-	73	35	41	202
Cash, deposits and similar securities	5 877	286	373	9	-	-	-	-	-	34	29	6 608
Net working capital assets	-	-	-	-	-	-	-	-	-	-	(1 171)	(1 171)
	6 567	**1 664**	**1 893**	**912**	**375**	**485**	**213**	**-**	**160**	**373**	**(890)**	**11 752**

31 December 2014	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	Other	Not rated *	Total
Assets backing policy liabilities												
Government interest bearing investments	49 961	-	-	772	-	-	-	-	-	-	46	50 779
Corporate interest bearing investments	4 790	8 739	8 496	2 747	1 204	2 644	1 464	1 288	614	748	1 536	34 270
Mortgages and loans	89	-	-	58	211	139	889	-	181	355	1 171	3 093
Cash, deposits and similar securities	3 877	1 019	1 148	55	-	-	2	7	-	1	733	6 842
Net working capital assets	-	-	-	-	-	-	-	-	-	-	2 544	2 544
	58 717	**9 758**	**9 644**	**3 632**	**1 415**	**2 783**	**2 355**	**1 295**	**795**	**1 104**	**6 030**	**97 528**
Capital portfolio												
Government interest bearing investments	109	-	-	59	-	-	-	-	-	-	-	168
Corporate interest bearing investments	1 896	1 624	1 844	659	295	775	357	502	59	93	142	8 246
Mortgages and loans	16	-	-	14	-	47	92	-	-	98	70	337
Cash, deposits and similar securities (1)	2 513	315	349	-	-	-	-	-	-	29	5	3 211
Net working capital assets	-	-	-	-	-	-	-	-	-	-	(7 999)	(7 999)
	4 534	**1 939**	**2 193**	**732**	**295**	**822**	**449**	**502**	**59**	**220**	**(7 782)**	**3 963**

** Not rated externally or by using internationally recognised credit rating techniques.*
(1) Management has refined the allocation process for securities without credit ratings to better the credit risk exposure. Comparatives were restated accordingly.

LIQUIDITY RISK – POLICYHOLDER SOLUTIONS

The following table summarises the overall maturity profile of the policyholder business:

Company

31 December 2015

R million	**< 1 year**	**1-5 years**	**> 5 years**	**Open ended**	**Total**
Insurance contracts	5 747	21 739	50 527	62 405	**140 418**
Investment contracts	3 734	15 911	62 428	135 723	**217 796**
Total policy liabilities	**9 481**	**37 650**	**112 955**	**198 128**	**358 214**
Properties	-	-	-	6 131	**6 131**
Equities and similar securities	-	-	-	60 957	**60 957**
Investments in subsidiaries, joint ventures and associates	-	-	-	1 093	**1 093**
Government interest bearing investments	123	1 343	42 684	-	**44 150**
Corporate interest bearing investments	5 623	23 151	5 267	800	**34 841**
Mortgages and loans	243	1 575	1 698	156	**3 672**
Structured transactions	2 865	4 184	1 552	1 293	**9 894**
Investment funds	-	-	-	189 100	**189 100**
Cash, deposits and similar securities	5 936	2 602	205	-	**8 743**
Deferred acquisition cost	-	-	-	400	**400**
Long-term reinsurance assets	5	79	566	-	**650**
Structured transaction liabilities	(533)	(578)	(884)	-	**(1 995)**
Net working capital and deferred taxation	578	-	-	-	**578**
Total policyholder assets	**14 840**	**32 356**	**51 088**	**259 930**	**358 214**

31 December 2014

R million	**< 1 year**	**1-5 years**	**> 5 years**	**Open ended**	**Total**
Insurance contracts	4 997	22 249	55 660	65 898	148 804
Investment contracts	3 063	14 373	57 308	116 511	191 255
Total policy liabilities	**8 060**	**36 622**	**112 968**	**182 409**	**340 059**
Properties	-	-	-	5 916	5 916
Equities and similar securities	-	-	-	63 103	63 103
Investments in subsidiaries, joint ventures and associates	-	-	-	1 883	1 883
Government interest bearing investments	311	1 524	48 944	-	50 779
Corporate interest bearing investments	8 648	18 040	6 843	739	34 270
Mortgages and loans	283	1 292	1 316	203	3 094
Structured transactions	1 404	2 999	1 929	1 772	8 104
Investment funds	-	-	-	163 925	163 925
Cash, deposits and similar securities	5 061	1 600	181	-	6 842
Deferred acquisition cost	-	-	-	400	400
Long-term reinsurance assets	3	74	564	-	641
Structured transaction liabilities	(284)	(99)	(231)	-	(614)
Net working capital and deferred taxation	1 716	-	-	-	1 716
Total policyholder assets	**17 142**	**25 430**	**59 546**	**237 941**	**340 059**

LIQUIDITY RISK – CAPITAL

Company: R million	**<1 year**	**1-5 years**	**>5 years**	**Open ended**	**Total**
31 December 2015					
Term finance liabilities	-	-	(1 938)	-	(1 938)
Assets held in respect of term finance	193	1 234	197	314	1 938
Equities and similar securities	-	-	-	-	-
Government and interest bearing investments	-	-	30	-	30
Corporate interest bearing investments	158	881	167	-	1 206
Mortgages and loans	5	30	-	-	35
Structured transactions	52	323	-	-	375
Investment funds	-	-	-	314	314
Cash, deposits and similar securities	48	-	-	-	48
Working capital assets and liabilities	(70)	-	-	-	(70)
Net term finance liquidity position	193	1 234	(1 741)	314	-
31 December 2014					
Term finance liabilities	-	-	(2 007)	-	(2 007)
Assets held in respect of term finance	187	991	536	293	2 007
Equities and similar securities	-	-	-	-	-
Government interest bearing investments	15	12	32	-	59
Corporate interest bearing investments	173	792	493	-	1 458
Mortgages and loans	-	49	11	-	60
Structured transactions	23	138	-	-	161
Investment funds	-	-	-	293	293
Cash, deposits and similar securities	35	-	-	-	35
Working capital assets and liabilities	(59)	-	-	-	(59)
Net term finance liquidity position	187	991	(1 471)	293	-

INSURANCE RISK

31 December 2015

Sensitivity to insurance risk	**Net VIF R million**	**∆ R million**
Base value	21 742	
Expenses and persistency		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	22 617	875
Discontinuance rates decrease by 10%	22 221	479
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	22 708	966
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	21 506	(236)

31 December 2014

Sensitivity to insurance risk	**Net VIF R million**	**∆ R million**
Base value	21 661	
Expenses and persistency		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	22 478	817
Discontinuance rates decrease by 10%	22 087	426
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	22 737	1 076
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	21 356	(305)

CONCENTRATION RISK

Company
Value of benefits insured: non-participating life business
Benefits insured per individual life

	Number of lives		Before reinsurance		After reinsurance	
	2015	2014	**2015**	2014	**2015**	2014
R'000			**%**	%	**%**	%
0 - 500	**819 730**	778 388	**14**	17	**17**	21
500 - 1000	**146 099**	185 476	**14**	16	**16**	18
1000 - 5000	**181 111**	194 382	**47**	46	**46**	46
5000 - 8000	**12 720**	10 997	**10**	8	**8**	7
> 8000	**9 598**	7 717	**15**	13	**13**	8
	1 169 258	1 176 960	**100**	100	**100**	100

Company
Non-participating annuity payable per annum per life insured

	Number of lives		Before reinsurance		After reinsurance	
	2015	2014	**2015**	2014	**2015**	2014
R'000			**%**	%	**%**	%
0 - 20	**201 734**	199 830	**35**	35	**35**	35
20 - 40	**18 661**	18 145	**15**	15	**15**	15
40 - 60	**6 185**	5 965	**8**	9	**8**	9
60 - 80	**3 258**	3 117	**6**	6	**6**	6
80 - 100	**1 822**	1 743	**5**	5	**5**	5
> 100	**5 054**	4 722	**31**	30	**31**	30
	236 714	233 522	**100**	100	**100**	100

The tables indicate that the Company's exposure is spread over a large number of lives insured, thereby mitigating concentration risk.

The geographical exposure of the Company's life insurance operations is illustrated in the table below, based on the value of policy liabilities in each region. The majority of life insurance exposure is to the South African market.

	Company	
	2015	2014
	R million	R million
South Africa	358 214	340 059
Africa	-	-
Total policy liabilities	358 214	340 059

WORKFORCE PROFILE AND CORE & SUPPORT FUNCTIONS

1. WORKFORCE PROFILE

1.1 Total number of employees (including employees with disabilities) in each of the following occupational levels:

	MALE				FEMALE				FOREIGN		
OCCUPATIONAL LEVEL	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Grand Total
Top Management	2	0	0	6	0	0	1	0	0	0	9
Senior Management	30	23	22	205	16	14	8	60	1	0	379
Middle Management	130	165	93	492	94	124	70	493	12	2	1675
Junior Management	697	531	176	1147	851	954	228	1553	11	5	6153
Semi-Skilled	1273	139	13	20	2752	344	38	140	13	5	4737
Unskilled	5	0	0	0	21	9	0	0	0	0	35
Grand Total	**2137**	**858**	**304**	**1870**	**3734**	**1445**	**345**	**2246**	**37**	**12**	**12988**

1.2 Employees with disabilities in each of the following occupational levels:

Disable only

	MALE				FEMALE				FOREIGN		
OCCUPATIONAL LEVEL	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Grand Total
Top Management	0	0	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	3	0	0	0	0	0	0	3
Middle Management	1	0	0	6	1	0	0	5	0	0	13
Junior Management	5	3	3	4	1	1	0	17	0	0	34
Semi-Skilled	35	16	0	4	27	26	0	4	0	0	112
Unskilled	0	0	0	0	0	0	0	0	0	0	0
Grand Total	**41**	**19**	**3**	**17**	**29**	**27**	**0**	**26**	**0**	**0**	**162**