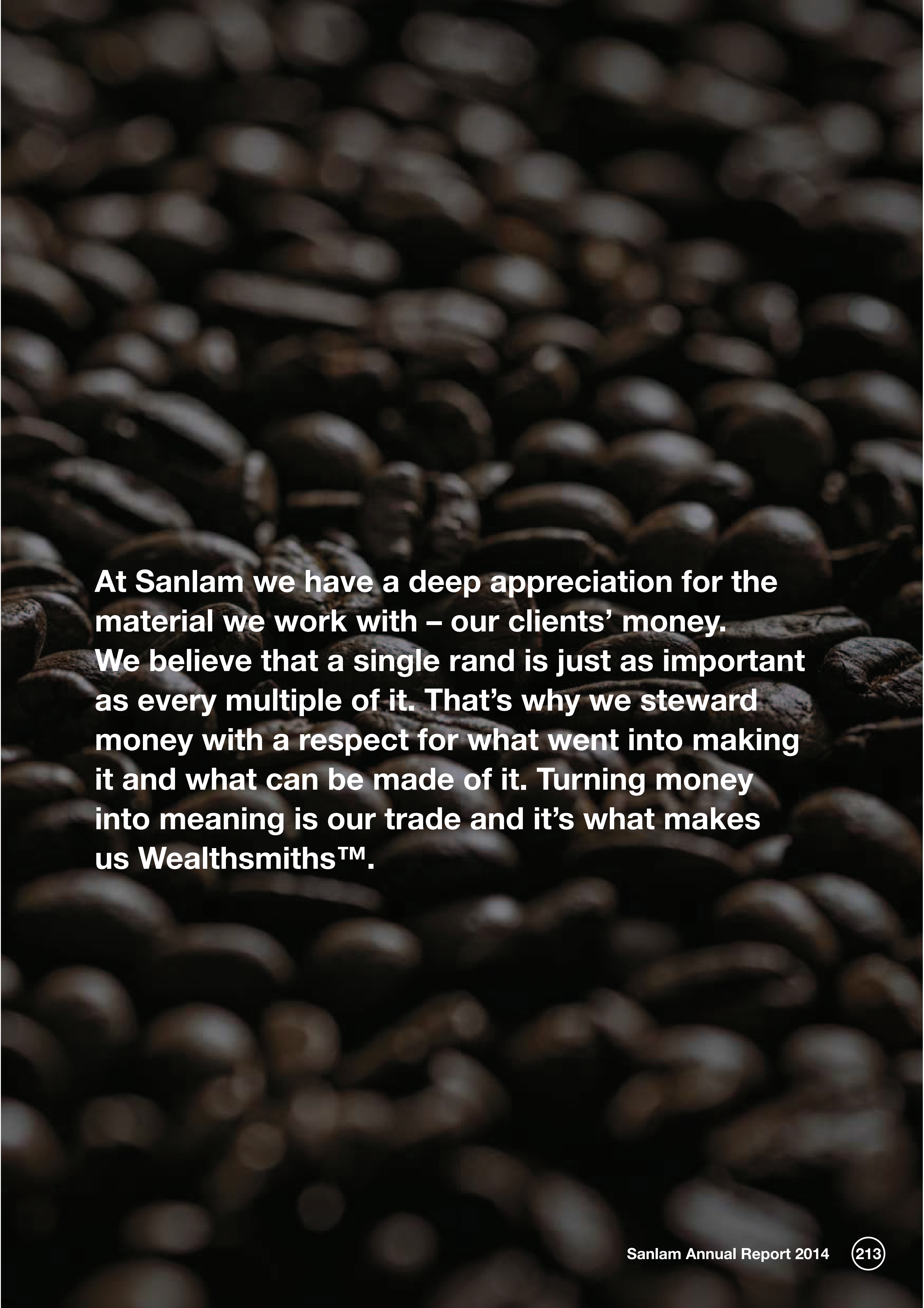


At Sanlam we have a deep appreciation for the material we work with – our clients' money. We believe that a single rand is just as important as every multiple of it. That's why we steward money with a respect for what went into making it and what can be made of it. Turning money into meaning is our trade and it's what makes us Wealthsmiths™.

Directors' responsibility for financial reporting

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Group and Company annual financial statements of Sanlam 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 annual financial statements based on their audit of Sanlam 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 Limited Group annual financial statements. The Board is satisfied that the annual financial statements fairly present the financial position, the results of operations and cash flows in accordance with International Financial Reporting Standards and supported by reasonable and prudent judgements consistently applied.

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Shareholders' information. The responsibility for the preparation and presentation of the Shareholders' information has been delegated to management.

The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the preparation of the Shareholders' information.

A full description of how the Audit, Actuarial and Finance committee carried out its functions is included in the Corporate Governance report elsewhere in the Annual Report.

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

The annual financial statements on pages 218 to 351, the Corporate Governance report on pages 166 to 179, the Remuneration report on pages 182 to 211 and the Shareholders' information on pages 108 to 163 were approved by the Board and signed on its behalf by:

Desmond Smith
Chairman

Johan van Zyl
Group Chief Executive

Cape Town
4 March 2015

Certificate by the Company Secretary

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, that for the year ended 31 December 2014, 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.

Sana-Ullah Bray
Company Secretary

4 March 2015

Directors' report

for the year ended 31 December 2014

Nature of business

The Sanlam Group is one of the largest established financial services groups in South Africa. Its core activities are set out in the Annual Report.

Sanlam Limited is a public company incorporated in terms of the Companies Act No 71 of 2008, as amended, in South Africa and listed on the JSE Limited and the Namibian Stock Exchange.

Corporate governance

The Board of Sanlam endorses the Code of Corporate Practice and Conduct recommended in the King Report on Corporate Governance. Disclosures with regard to compliance with the Code are provided in the Corporate Governance report.

Group results

Profit attributable to shareholders increased from R8 131 million in 2013 to R8 729 million in 2014, largely due to the strong operational performance. Further details regarding the Group's results and prospects are included in the Financial Review. The information in the Corporate Governance and Remuneration reports, requiring disclosure in the Directors' report in terms of the Companies Act and JSE Listings Requirements, has been audited. The holding company's interest in the after tax profit of the Group subsidiaries, summarised per cluster, is set out in the shareholders' fund income statement on page 126.

Share capital

The issued ordinary share capital of the Company is 2 166 million shares. Refer to page 304 for further information.

Dividend

The Board has declared a normal cash dividend of 225 cents per share (2013: 200 cents) payable on Monday, 20 April 2015, to shareholders registered on 17 April 2015. All payments through electronic bank transfer will take place on this date.

Subsidiaries

Details of the Company's principal subsidiaries are set out on page 348.

Directors' interests in contracts

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

Interest of directors and officers in share capital

Details of the shareholding by directors at the date of this report are provided in the remuneration report on pages 210 and 211.

Directors and secretary

Particulars of the directors and Company Secretary at the date of this report, as well as changes in directorships, are set out on pages 28 to 41 and page 170.

Subsequent events

No material facts or circumstances have arisen between the date of the statement of financial position and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2014 as reflected in these financial statements.

Approval of annual financial statements

The annual financial statements have been approved by the directors as reflected on page 214, including the certificate by the Company Secretary on page 215, the Audit committee report for the 2014 financial year on page 173 and the analysis of shareholders on page 163.

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 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 at the Company's annual general meeting in 2014, 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 ongoing review by the Sanlam Board and may in total exceed the reporting threshold of 0,1% of the Sanlam Group's net asset value provided for in the Act.

Independent auditors' report

To the shareholders of Sanlam Limited

We have audited the consolidated and separate financial statements of Sanlam Limited set out on pages 218 to 351, which comprise the statements of financial position as at 31 December 2014, 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 Limited as at 31 December 2014, 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 2014, 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.

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

4 March 2015

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), as reported on page 118. 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.

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 modelling 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.
- 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.

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 capital adequacy of Sanlam Investments and Pensions, the Group's life insurance operations in the United Kingdom (UK), is measured in terms of the Prudential Regulation Authority's guidelines in the UK, which are materially in line with those of the South African operations.

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 regulations as well as professional practice notes issued by the Actuarial Society in South Africa and the Board of Actuarial Standards in the UK. 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 2014, 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 below. The values disclosed for Sanlam Life capture the solvency position of the entire Sanlam Life Group, including subsidiaries such as Sanlam Life Namibia, Sanlam Developing Markets Limited, Channel Life and Botswana Insurance Holdings. Sanlam Investments and Pensions is the only life insurance company in the Group that is not a subsidiary of Sanlam Life, and its solvency position is therefore shown separately. All subsidiaries of Sanlam Life were adequately capitalised.

R million	Sanlam Life Insurance Limited 2014	2013	Sanlam Investments and Pensions UK Limited 2014	2013
Assets				
Fair value of assets	**426 856**	379 983	**41 346**	37 189
Less: Liabilities	**358 700**	319 441	**40 754**	36 603
Actuarial value of policy liabilities	**340 059**	301 696	**39 787**	35 550
Investment contracts	**191 255**	166 363	**35 040**	30 970
Insurance contracts	**148 804**	135 333	**4 747**	4 580
Long term and current liabilities	**18 641**	17 745	**967**	1 053
Excess of assets over liabilities for financial reporting	**68 156**	60 542	**592**	586
Adjustment for prudential regulatory purposes	**(33 034)**	(29 000)	**(41)**	(275)
Adjustment for Group undertakings				
Sanlam Investment Management	**(2 694)**	(4 378)	**–**	–
Santam	**(8 943)**	(7 961)	**–**	–
SDM Limited	**(6 253)**	(5 958)	**–**	–
SEM Limited	**(3 309)**	–	**–**	–
Capital requirements of life insurance subsidiaries, adjusted for minority interests	**(2 080)**	(3 637)	**–**	–
Inadmissible assets	**(992)**	(119)	**(41)**	(275)
Other	**(8 763)**	(6 947)	**–**	–
Unsecured subordinated debt	**2 075**	2 094	**–**	–
Excess of assets over liabilities for prudential regulatory purposes	**37 197**	33 636	**551**	311
Capital adequacy requirements				
Capital adequacy requirements (CAR) before management actions	**12 650**	11 225	**117**	111
Management actions assumed	**(4 325)**	(3 675)	**–**	–
Reduction in future bonus rates	**(3 026)**	(2 703)	**–**	–
Reduction in non-vested bonuses	**(268)**	(225)	**–**	–
Capitalisation of a portion of expected future profits held as discretionary margins	**(105)**	(138)	**–**	–
Reduction in grossing up of the assets covering CAR and other	**(926)**	(609)	**–**	–
CAR after management actions assumed	**8 325**	7 550	**117**	111

Credit rating

Fitch Ratings, an international ratings agency, issues independent ratings of the following Sanlam Group entities and instruments:

	Most recent ratings issued
Sanlam Limited	National Long term: AA- (zaf)
Sanlam Life Insurance Limited	National Insurer Financial Strength: AA+ (zaf) National Long term: AA (zaf) National Short term: F1+ (zaf)
Sanlam Developing Markets Limited	National Insurer Financial Strength: AA+ (zaf) National Long term: AA (zaf)
Subordinated debt issued by Sanlam Life Insurance Limited	Subordinated debt: A+ (zaf)
Santam Limited	National Insurer Financial Strength: AA+ (zaf)
Subordinated debt issued by Santam Limited	Subordinated debt: A+ (zaf)

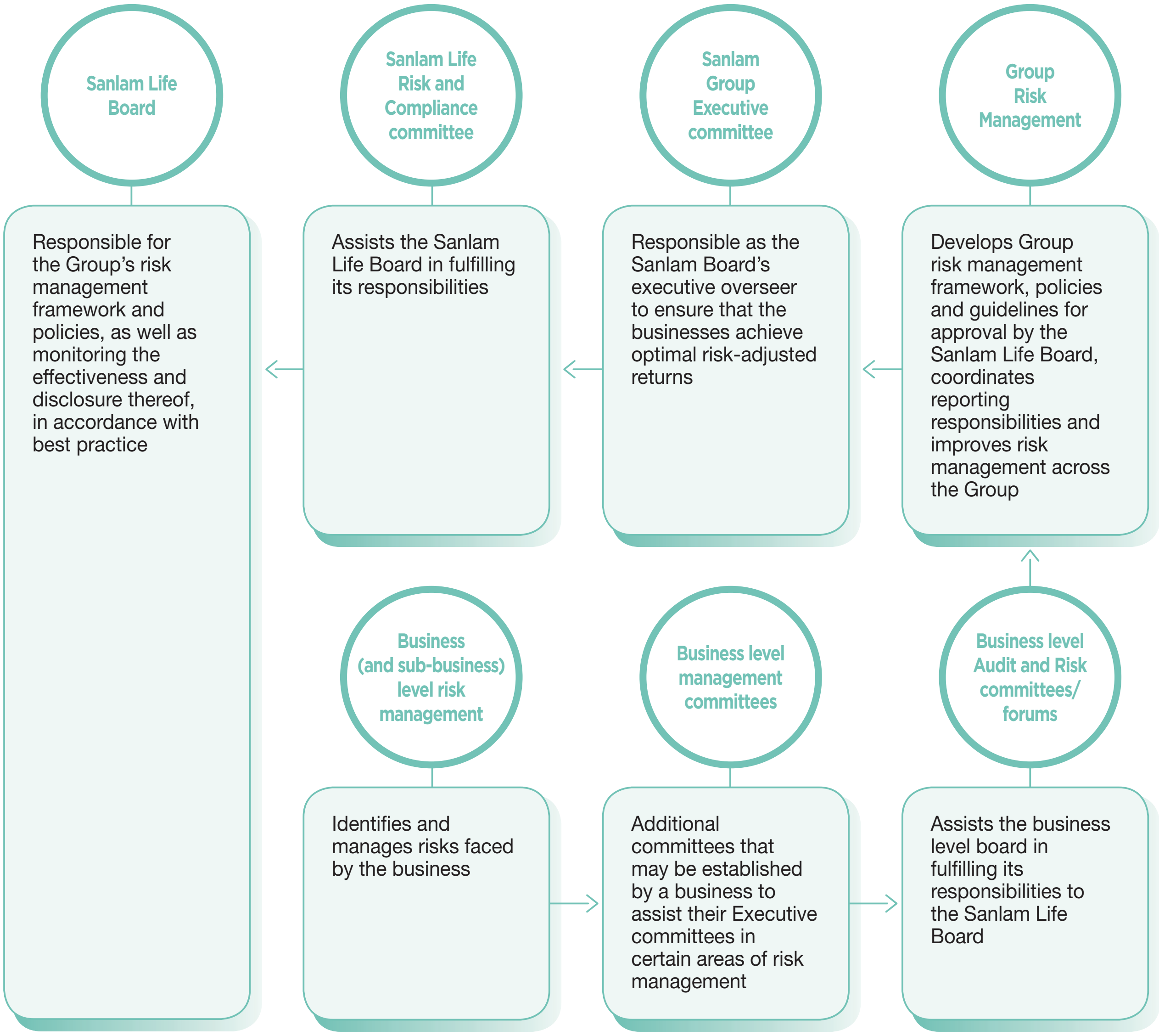
The independent credit ratings provide assurance to the investors in securities issued by the Group as well as the Group's business partners and other stakeholders. It also enables the Group to issue debt and equity instruments at market-related rates. The above ratings were confirmed in October 2014 and have remained unchanged since 2011.

Risk management

Governance structure

In terms of the Group's overall governance structure, the meetings of the Sanlam Limited 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 Limited Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and 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. Refer to the Corporate Governance Report on page 166 for further information on the responsibilities of the Sanlam and Sanlam Life Boards and their committees.

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, Asset and Liability and Non-listed Asset committees at Group level and 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 are operating 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 Limited and Sanlam Life Boards

Group risk forum
Aids coordination 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 modelling 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

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 Risk and Compliance committee charter; and
- Group risk forum terms of reference.

[Key: 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 investment policy;
- Sanlam financial crime combating policy;
- Sanlam human resources policies;
- Sanlam Group governance framework;
- Sanlam Group high-level authorisation framework;
- 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 quantifiable and unquantifiable 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: **Information and technology risk:** the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of critical 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 judgments 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.	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).

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
General risks continued		
1. Operational continued	**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

Risk category (primary)		Risk type (secondary) and description	Potential significant impact
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: **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 a 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 quickly enough 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.	Life insurance General insurance Credit and structuring

Financial and business-specific risks continued

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
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: **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.	Life insurance General insurance Credit and structuring Corporate
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

Financial and business-specific risks continued

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
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: **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).	Life insurance
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: **Claims risk (premium and reserve 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.	General insurance

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, but in the Sustainability 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 reports of the independent auditors for the year under review are contained on pages 106 and 217 of this Annual Report. 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 and Sanlam Life Boards. Quarterly reports are submitted by Group Forensic Services to the Sanlam and Sanlam Life Risk and Compliance committees 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 ongoing 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 is discussed and evaluated at an annual special strategic session of the Sanlam 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 clusters, meets on a regular basis to discuss, among others, the achievement of the clusters' 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 280 for a description of the different policyholder solutions; as well as to note 15 on page 307, 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	×	✓	×[4]	×[4]	✓	✓[3]	×	✓
Other non-participating liabilities								
Guarantee plans	×	✓	×[4]	×	✓	✓[3]	✓	✓
Other	✓	✓	×[4]	✓	✓	✓[3]	✓	✓
Capital portfolio	✓	✓	✓	×[4]	✓	×	×	×

[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
× Risk not applicable to item

The management of these risks is described below.

1. Market risk

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

✓ *Risk applicable to item*
× *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 2014, 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 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 solutions' 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 Group's capital portfolio to currency risk is analysed in the table below:

R million	Euro	United States dollar	British pound	Botswana pula	Indian rupee	Other currencies	Total
31 December 2014							
Investment properties	–	–	–	179	–	371	550
Equities and similar securities	428	532	156	558	–	624	2 298
Equity accounted investments[1]	–	–	–	1 523	5 648	1 005[2]	8 176
Interest-bearing instruments	–	–	104	301	–	1 484	1 889
Government interest-bearing investments	–	–	34	251	–	869	1 154
Corporate interest-bearing investments	–	–	70	1	–	508	579
Mortgages, policy and other loans	–	–	–	49	–	107	156
Investment funds	1	577	12	39	–	129	758
Cash, deposits and similar securities	72	441	489	488	–	367	1 857
Net working capital and other liabilities	(9)	841	110	(274)	–	(24)	644
Foreign currency exposure	492	2 391	871	2 814	5 648	3 956	16 172
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		
31 December 2013							
Investment properties	–	–	–	122	–	204	326
Equities and similar securities	575	549	156	408	–	870	2 558
Equity accounted investments[1]	–	–	–	1 376	4 597	968	6 941
Interest-bearing instruments	–	3	95	266	–	147	511
Government interest-bearing investments	–	3	27	–	–	28	58
Corporate interest-bearing investments	–	–	68	169	–	18	255
Mortgages, policy and other loans	–	–	–	97	–	101	198
Investment funds	15	573	14	30	–	5	637
Cash, deposits and similar securities	10	423	220	437	–	198	1 288
Net working capital and other liabilities	231	1 218	83	(377)	–	15	1 170
Foreign currency exposure	831	2 766	568	2 262	4 597	2 407	13 431
Exchange rates (rand)							
Closing rate	14,51	10,53	17,42	1,21	0,17		
Average rate	12,78	9,61	15,00	1,16	0,17		

[1] *Equity accounted investments only include significant entities that have foreign currency exposure.*
[2] *Investment in Pacific and Orient, Malaysia.*

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

Sensitivities

Refer to page 157 for an analysis of the Group's sensitivity to market risk.

2. Credit risk – policyholder solutions and capital

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

✓ *Risk applicable to item*

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 significant 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 2014 and 2013 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 2014												
Government interest-bearing investments	**85**	**3**	**–**	**2**	**–**	**–**	**–**	**1**	**7**	**2**	**100**	**63 716**
Corporate interest-bearing investments	**14**	**23**	**26**	**8**	**4**	**6**	**4**	**2**	**7**	**6**	**100**	**49 760**
Mortgages, policy and other loans	**2**	**–**	**–**	**4**	**4**	**3**	**19**	**4**	**56**	**8**	**100**	**4 732**
Cash, deposits and similar securities	**33**	**23**	**19**	**6**	**–**	**10**	**–**	**1**	**6**	**2**	**100**	**13 071**
Net working capital	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**99**	**–**	**100**	**1 858**
Total	**49**	**12**	**12**	**4**	**1**	**4**	**2**	**2**	**10**	**4**	**100**	**133 137**
31 December 2013												
Government interest-bearing investments	85	5	–	2	–	–	–	1	7	–	100	52 516
Corporate interest-bearing investments	5	22	28	10	4	8	4	2	13	4	100	37 149
Mortgages, policy and other loans	–	–	7	6	10	3	23	–	51	–	100	3 055
Cash, deposits and similar securities	35	15	10	2	–	12	–	–	25	1	100	10 823
Net working capital	–	–	–	–	–	–	–	–	100	–	100	881
Total	48	12	11	5	2	4	2	2	13	1	100	104 424

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

Credit risk concentration by credit rating*

Capital portfolio	AAA %	AA+ %	AA %	AA- %	A+ %	A %	A- %	BBB %	Not rated %	Other %	Total %	Carrying value R million
31 December 2014												
Government interest-bearing investments[1]	12	2	–	4	–	–	–	1	78	3	100	1 388
Corporate interest-bearing investments	21	19	24	9	4	9	4	1	3	6	100	9 606
Mortgages, policy and other loans	7	–	–	6	–	19	37	–	18	13	100	246
Cash, deposits and similar securities	39	5	15	3	–	12	–	–	24	2	100	3 333
Net working capital	199	36	5	–	–	–	–	3	(147)	4	100	1 679
Total	42	16	18	6	2	8	3	1	1	3	100	16 252
31 December 2013												
Government interest-bearing investments	85	1	–	7	–	–	–	2	5	–	100	556
Corporate interest-bearing investments	12	21	24	9	4	11	3	2	9	5	100	9 157
Mortgages, policy and other loans	–	–	–	6	–	7	20	5	48	14	100	616
Cash, deposits and similar securities	48	7	5	1	–	8	–	–	24	7	100	3 092
Net working capital	252	64	2	–	8	–	3	2	(152)	(79)	100	1 055
Total	39	19	17	7	3	9	3	2	2	(1)	100	14 476

** 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.

Interest-rate swaps are included in mortgage, policy and other loans. 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	Note
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	×	3.6

✓ *Risk applicable to item*
× *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:

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
31 December 2014					
Insurance contracts	**7 011**	**28 376**	**70 164**	**81 075**	**186 626**
Investment contracts	**4 255**	**36 847**	**81 718**	**134 226**	**257 046**
Total policy liabilities	**11 266**	**65 223**	**151 882**	**215 301**	**443 672**
Properties	**—**	**—**	**—**	**8 933**	**8 933**
Equities and similar securities	**—**	**—**	**415**	**86 355**	**86 770**
Government interest-bearing investments	**964**	**4 827**	**57 925**	**—**	**63 716**
Corporate interest-bearing investments	**11 330**	**26 106**	**11 592**	**2 842**	**51 870**
Mortgages, policy and other loans	**293**	**1 557**	**1 604**	**1 279**	**4 733**
Structured transactions	**2 453**	**3 733**	**2 020**	**1 884**	**10 090**
Investment funds	**—**	**—**	**—**	**205 532**	**205 532**
Cash, deposits and similar securities	**8 756**	**4 135**	**363**	**—**	**13 254**
Deferred acquisition costs	**—**	**—**	**—**	**582**	**582**
Long-term reinsurance assets	**70**	**156**	**692**	**22**	**940**
Term finance	**—**	**—**	**(461)**	**—**	**(461)**
Structured transactions liabilities	**(285)**	**(142)**	**(337)**	**—**	**(764)**
External investors in consolidated funds	**—**	**—**	**—**	**(2 594)**	**(2 594)**
Net working capital	**1 055**	**12**	**4**	**—**	**1 071**
Total policyholder assets	**24 636**	**40 384**	**73 817**	**304 835**	**443 672**
31 December 2013					
Insurance contracts	5 422	24 883	61 702	66 568	158 575
Investment contracts	3 821	30 853	75 486	113 574	223 734
Total policy liabilities	9 243	55 736	137 188	180 142	382 309
Properties	—	—	—	8 280	8 280
Equities and similar securities	—	—	538	79 234	79 772
Government interest-bearing investments	380	4 161	47 935	41	52 517
Corporate interest-bearing investments	6 789	18 743	10 842	2 429	38 803
Mortgages, policy and other loans	186	1 522	1 346	1	3 055
Structured transactions	4 453	4 775	1 003	81	10 312
Investment funds	94	845	64	179 115	180 118
Cash, deposits and similar securities	8 252	2 289	279	2	10 822
Deferred acquisition costs	—	—	—	156	156
Long-term reinsurance assets	18	157	614	6	795
Term finance	—	—	(571)	—	(571)
Structured transactions liabilities	(467)	(126)	(351)	(93)	(1 037)
External investors in consolidated funds	—	—	—	(1 841)	(1 841)
Net working capital	1 690	2	—	(564)	1 128
Total policyholder assets	21 395	32 368	61 699	266 847	382 309

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 263 for more information).

4. Insurance risk

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

✓ *Risk applicable to item*
× *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 programmes 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 12 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 15 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.

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 payable per annum per life insured

	Number of lives		Before reinsurance		After reinsurance	
R'000	**2014**	2013	**2014 %**	2013 %	**2014 %**	2013 %
0 – 20	**216 630**	215 488	**33**	37	**33**	37
20 – 40	**21 182**	19 996	**16**	17	**16**	17
40 – 60	**7 613**	6 728	**10**	10	**10**	10
60 – 80	**4 245**	3 568	**8**	9	**8**	9
80 – 100	**2 633**	2 109	**8**	8	**8**	8
>100	**7 546**	5 032	**25**	19	**25**	19
	259 849	252 921	**100**	100	**100**	100

Value of benefits insured: non-participating life business

Benefits insured per individual life	Number of lives		Before reinsurance		After reinsurance	
R'000	**2014**	2013*	**2014 %**	2013* %	**2014 %**	2013* %
0 – 500	**8 156 168**	7 734 976	**26**	26	**31**	31
500 – 1 000	**278 603**	262 616	**17**	17	**17**	17
1 000 – 5 000	**300 789**	268 089	**40**	38	**39**	38
5 000 – 8 000	**12 292**	10 504	**7**	8	**6**	6
>8 000	**8 596**	7 192	**10**	11	**7**	8
	8 756 448	8 283 377	**100**	100	**100**	100

** Comparative information has been restated to reflect the correct number of lives insured.*

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.

	2014		2013	
	R million	**%**	R million	%
South Africa	**362 424**	**82**	320 290	84
Africa	**28 416**	**6**	26 127	7
Other International	**52 832**	**12**	35 892	9
Total policy liabilities	**443 672**	**100**	382 309	100

Credit and structuring

1. Retail credit

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

Sanlam Personal Loans

The balance of loans advanced by SPL to clients at 31 December 2014 is shown below:

R million	2014	2013
Gross balance	3 984	3 608
Provisions	(248)	(214)
Net balance	3 736	3 394

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 297.
- The Group Treasury function has also provided financing to SPL as indicated above. 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 are a significant part of Sanlam Emerging Markets' (SEM) operating earnings. The majority of the Group's exposure to retail credit is made up of an investment in Shriram Capital Limited (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 R5 648 million (2013: R4 597 million), of which approximately 76% (2013: 87%) 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 Limited (carrying value of R1 523 million (2013: R1 376 million)) and Capricorn Investment Holdings Limited (which has a stake in Bank Windhoek Holdings Limited and a carrying value of R844 million (2013: R780 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 or 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 in India), types of credit provided (secured and unsecured lending) and range of market segments targeted. This inherently reduces the overall level of credit risk exposure.

2. Capital markets

Sanlam Capital Markets (SCM) is the largest division in the Sanlam Investments: Capital Management (SICM) sub-cluster. Other businesses within the cluster are Sanlam Private Equity (SPE), Sanlam Credit Conduit (SCC) and Sanlam Group Treasury (SGT). SCM also has a stake in the Sanlam Africa Floating Rate Credit Fund (SAFRCF).

Within SICM, the Asset Liability and Risk Management committee (ALaRMCO) is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from proprietary positions are within the approved risk parameters. Where possible, risk measurements are calculated through the application of various statistical techniques, including value at risk (VaR), and are measured against pre-approved exposure limits. These risk measurements are supplemented with stress testing and scenario analysis. While VaR models are relatively sophisticated, the quantitative market risk information generated is limited by the assumptions and parameters established when creating the related models. Sanlam believes that statistical models alone do not provide a reliable method of monitoring and controlling market risk. Therefore, such models are tools and inputs in the decision-making process, but do not substitute for the experience or judgement of senior management.

If no market data is available for a specific business or investment, the risk management is qualitative by nature. The exposure and riskiness of such types of investments are typically managed by monitoring covenants and by taking the appropriate actions as agreed with the counterparty initially.

Business-wide risk levels are reported to senior management, while desk risk levels are reported to the relevant managers and operators. Limit breaches are escalated for approval in terms of an approval framework. The risk information is summarised, reported to, and discussed by the ALaRMCO at two-weekly meetings.

The mandates for existing businesses are reviewed and submitted for ALaRMCO approval and Risk committee notification on at least an annual basis or more frequently if it was changed through the course of a financial year.

An initial mandate development process is undertaken for each new business ventured into by SICM. Based on the business mandates, quantifiable risks are measured and reported on a daily basis. Any new type of business or product is subjected to a comprehensive review process before initiation to ensure that all of the risks associated with new businesses or products have been identified and can be appropriately managed.

SICM is also exposed to credit risk in respect of its working capital assets and loans extended as part of its debt finance, property finance and equity structuring activities. Collateral is placed or received for transactions entered into by SICM, including (but not limited to) securities lending and derivative exposures.

1. Market risk

SICM uses VaR to calculate market risk capital for listed instruments. VaR measures the maximum loss over a given horizon with a specified level of confidence. VaR is computed as follows:

- At a 99,5% confidence level (to be consistent with Sanlam's risk appetite relating to SICM's business);
- Over a 10-day holding period (which takes account of market liquidity risk in the VaR calculation through setting the liquidity period at 10 days);
- Multiplied by a factor of 3 (to allow for uncertainty in estimating VaR at high confidence levels); and
- VaR is calculated on a diversified basis for SICM as a whole and takes the diversification among portfolios into account.

Equity risk

For listed equity price stress tests are performed on the SICM portfolios. The scenarios used in the stress tests incorporate a combination of equity price movements of between -30% and +20%. In the equity price stress test results, the maximum loss is R120 million (2013: R45 million).

	Maximum net loss (R million)	
Incremental change in price	**31 Dec 2014**	31 Dec 2013
-5% to 5%	**15**	6
-10% to 10%	**32**	12
-15% to 15%	**50**	17
-30% to 20%	**120**	45

Interest rate risk

Various interest rate stress tests are performed on the SICM portfolios. The relative parallel interest rate stress test calculates the market exposure based on interest rate movements of between +50% and -20%, all else being equal.

The market exposure that was calculated at 31 December for these tests was as follows:

	Maximum net loss (R million)	
Incremental change in yield	**31 Dec 2014**	31 Dec 2013
-10% to 10%	**1**	4
-20% to 20%	**1**	7
-20% to 50%	**1**	12

2. Credit risk

For credit risk capital, SICM utilises the concept of unexpected losses. Based on historical default data, expected losses are computed on a portfolio of credits. Economic principles dictate that a provision should be created for expected losses, although this is not the approach taken from an accounting perspective. An unexpected loss, on the other hand, is the maximum amount over and above the expected loss that SICM could incur over the particular time horizon with a certain level of confidence. In SICM's economic capital model, an unexpected loss over a one-year time horizon at a 99,5% confidence is used to compute the credit risk capital. This is consistent with the one-year 99,5% VaR used for market risk capital, although market risk capital is computed over a 10-day liquidation period.

At the end of the financial year, SICM's maximum unexpected loss (credit risk capital) was R319 million (2013: R320 million) based on a 21-day average of the daily economic capital amounts.

Credit spread stress tests are calculated for all instruments sensitive to credit spread changes. The profit or loss from changes in credit spreads on both the assets and funding are calculated in these stress tests. The stress test results are determined as follows:

- The credit ratings for credit assets and funding are deteriorated by 1, 2 and 3 rating notches;
- The impact of these deteriorations on credit spreads are determined with reference to a pre-defined credit spread matrix;
- The changed credit spreads are used to revalue credit assets and funding; and
- The resultant net changes in the valuations of credit assets and funding are seen as the test results.

The table below shows the possible effect of a 1, 2 and 3 notch deterioration in credit rating. The total impact on the valuation of the assets is slightly offset by the impact on the valuation of the funding that is used to acquire the positions in the market.

	31 Dec 2014 SICM	31 Dec 2013* SICM
Stress results 1 (1 notch)	**(148)**	(140)
Stress results 2 (2 notch)	**(305)**	(302)
Stress results 3 (3 notch)	**(474)**	(489)

** The 2013 stress result was restated to be on the same basis as 2014 (previously only SCM was reported, now all businesses in SICM are included).*

Maximum exposure to credit risk

SICM's 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 that is expected to result in an outflow of resources, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

Credit risk exposures are reported on a netted basis, therefore after taking collateral and netting agreements into account. Appropriate haircuts to collateral and add-ons to exposures are implemented in line with the formulated Credit Exposure Quantification policy. Credit risk exposures are mitigated through several measures, including physical collateral (e.g. mortgage bonds) considered on a case-by-case basis, the use of netting agreements; or guarantees issued by third parties.

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 are no assets that would have been past due or impaired, had the terms not been renegotiated.

Concentration risk

Management determines concentrations by counterparty, with reference to the proportion of total credit risk capital held in respect of that counterparty compared to the overall credit risk capital of the entire portfolio. The 10 largest contributors to credit risk capital make up 41% (2013: 44%) of total credit risk capital, but only 17% (2013: 18%) of the total exposure. SICM is therefore not exposed to significant concentration risk.

3. Liquidity risk

The maximum available facilities of R9,5 billion (net of qualifying collateral and certain other intergroup utilisation) exceed the amount utilised of R7,4 billion (2013: R7,7 billion), indicating available unutilised funding sources. In order to keep commitment fees within the Sanlam Group, facilities are negotiated with Sanlam at market-related terms, before external facilities are sought.

Committed facilities granted by SICM were R584 million (2013: R292 million). A significant portion of trading account assets and liabilities is due within one year.

General insurance

1. Santam

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

- 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, reputational, political, regulatory, 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 programmes 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.

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.

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 modelling 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 and debt securities portfolios. Santam is not 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 modelling 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 not subject to interest rate risk as the liabilities are suitably hedged, 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 measures that include scenario testing and stress testing using measures such as duration.

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 2014, 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 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.

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.

Foreign 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, euro 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 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.

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.

Credit risk

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 Basel II regulations.

Credit risk capital is held for the following types of exposures:

- 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 Solvency Assessment and Management (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. 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 may be 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 16,9% of debt securities, money market instruments and cash with Standard Bank Limited (2013: 19,2% ABSA Bank Limited).

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 (2013: Lloyds). 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, the Group will 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 2014 credit ratings provided in these tables were determined as follows: Sanlam Investment Management (SIM) provided management with reports generated from their credit system on a quarterly basis, detailing all counterparty, duration and credit risk. These reports include international, national and internal ratings. A Fitch international equivalence table is then applied to standardise the ratings. The Fitch international equivalence table was not applied to comparative information. In 2013 international ratings were used where available, otherwise national or internal ratings were applied.

	Credit rating											Carrying value in statement of financial position
R million	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB-	B	Not rated	
31 December 2014												
Debt securities – quoted	–	–	–	–	1 361	1 195	367	275	38	–	372	3 608
Debt securities – unquoted	–	–	–	–	1 638	2 424	29	92	41	–	5	4 229
Short-term money market instruments	–	–	–	–	809	665	223	10	67	–	118	1 892
Receivables due from contract holders/intermediaries	–	–	13	38	36	8	20	–	–	–	2 122	2 237
Reinsurance receivables	–	–	1	32	–	10	17	–	–	–	102	162
Other loans and receivables	–	–	–	22	37	47	11	21	2	–	330	470
Cell owners' interest	–	–	–	–	–	–	–	–	–	–	9	9
Cash and cash equivalents	207	251	163	329	511	959	–	5	–	2	134	2 561
Total	207	251	177	421	4 392	5 308	667	403	148	2	3 192	15 168

	Credit rating									Carrying value in statement of financial position
R million	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	
31 December 2013										
Debt securities – quoted	307	122	146	180	79	288	399	1 818	370	3 709
Debt securities – unquoted	–	528	627	139	32	60	401	1 520	290	3 597
Receivables due from contract holders/intermediaries	–	–	–	–	3	28	33	8	1 808	1 880
Reinsurance receivables	–	11	–	224	3	2	97	–	80	417
Other loans and receivables	20	29	2	4	23	2	10	45	252	387
Cash and other short-term interest-bearing instruments	113	366	309	557	378	15	1 018	870	141	3 767
Total	440	1 056	1 084	1 104	518	395	1 958	4 261	2 941	13 757

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.

Insurance risk

Santam issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way Santam manages them.

Terms and conditions of insurance contracts:

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 10 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	2014	2013	2012	2011	2010	2009	2008
Claims paid and provided %*	63,1	69,3	68,3	64,2	64,1	70,6	68,4

** 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. Santam has the right to reprice and change the conditions for accepting risks on renewal.

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)							
Reporting year	Total R million	**2014 R million**	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 and prior R million
Actual claims costs:									
– 2014	13 556	**9 031**	3 578	493	173	188	64	14	15
– 2013	13 148	**–**	9 152	3 411	250	154	106	47	28
– 2012	11 340	**–**	–	8 176	2 366	370	171	158	99
– 2011	10 327	**–**	–	–	7 767	2 141	247	52	120
– 2010	9 999	**–**	–	–	–	7 144	2 236	411	208
– 2009	10 016	**–**	–	–	–	–	7 702	1 959	355
– 2008	8 996	**–**	–	–	–	–	–	7 181	1 815
– 2007	7 971	**–**	–	–	–	–	–	–	7 971
Cumulative payments to date	85 353	**9 031**	12 730	12 080	10 556	9 997	10 526	9 822	10 611

General insurance claims – net

		Claims paid in respect of (i.e. accident year)							
Reporting year	Total R million	**2014 R million**	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 and prior R million
Actual claims costs:									
– 2014	11 040	**7 927**	2 489	323	131	108	50	7	5
– 2013	11 335	**–**	8 423	2 493	168	127	79	35	10
– 2012	9 904	**–**	–	7 616	1 743	250	116	137	42
– 2011	8 989	**–**	–	–	7 082	1 673	148	39	47
– 2010	8 710	**–**	–	–	–	6 401	1 816	323	170
– 2009	8 805	**–**	–	–	–	–	6 928	1 651	226
– 2008	7 727	**–**	–	–	–	–	–	6 172	1 555
– 2007	6 672	**–**	–	–	–	–	–	–	6 672
Cumulative payments to date	73 181	**7 927**	10 912	10 432	9 124	8 559	9 137	8 364	8 726

Reporting development

General insurance claims provision – gross

Reporting year	Total R million	2014 R million	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 and prior R million
		Financial year during which claim occurred (i.e. accident year)							
	Provision raised:								
– 2014	6 240	4 069	844	410	206	257	212	106	136
– 2013	5 523	–	3 267	788	376	462	195	175	260
– 2012	4 948	–	–	3 133	599	434	304	213	265
– 2011	4 192	–	–	–	2 448	652	333	303	456
– 2010	3 777	–	–	–	–	2 325	556	312	584
– 2009	4 288	–	–	–	–	–	2 617	712	959
– 2008	4 075	–	–	–	–	–	–	2 579	1 496
– 2007	3 774	–	–	–	–	–	–	–	3 774
	36 817	4 069	4 111	4 331	3 629	4 130	4 217	4 400	7 930

General insurance claims provision – net

Reporting year	Total R million	2014 R million	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 and prior R million
		Financial year during which claim occurred (i.e. accident year)							
	Provision raised:								
– 2014	3 968	2 337	448	325	239	221	191	87	120
– 2013	4 207	–	2 459	568	331	298	172	146	233
– 2012	3 971	–	–	2 550	466	326	241	162	226
– 2011	3 273	–	–	–	1 919	509	260	220	365
– 2010	2 896	–	–	–	–	1 813	402	228	453
– 2009	2 952	–	–	–	–	–	1 861	435	656
– 2008	2 699	–	–	–	–	–	–	1 805	894
– 2007	2 444	–	–	–	–	–	–	–	2 444
	26 410	2 337	2 907	3 443	2 955	3 167	3 127	3 083	5 391

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 for regulatory reporting purposes.

Percentile approach
Under this methodology, reserves are held 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 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 balance sheet. 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 balance sheet 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
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 programme 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 programme comprise:

- Individual excess-of-loss cover for property, liability and engineering 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; and
- Catastrophe cover to the extent of 1,3% of the total exposure of the significant geographical areas, amounting to protection of up to R6,8 billion (2013: R7,5 billion) per event in excess of an attachment point of R100 million. 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 and renewed in 2014. The cover is for an amount of R100 million in excess of a R100 million aggregate deductible.

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. The agreement will generate dollar-denominated collateral to support Santam's use of the international insurer's AA-rated licence. 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 and Poor's or AM Best.

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.

2. 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 Limited) in India and a holding in Pacific & Orient (carrying value of R1 005 million (2013: R968 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 – 5 years	>5 years	Open ended	Total
31 December 2014					
Term finance liabilities					
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in the annual financial statements)	(434)	(1 401)	–	–	(1 835)
Assets held in respect of term finance	773	577	–	485	1 835
Equities and similar securities	–	–	–	485	485
Corporate interest-bearing investments	776	573	–	–	1 349
Structured transactions	–	1	–	–	1
Cash, deposits and similar securities	2	3	–	–	5
Working capital assets and liabilities	(5)	–	–	–	(5)
Net term finance liquidity position	339	(824)	–	485	–

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2013					
Term finance liabilities					
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in the annual financial statements)	(642)	(1 396)	—	—	(2 038)
Assets held in respect of term finance	1 497	66	—	475	2 038
Equities and similar securities	—	—	—	475	475
Corporate interest-bearing investments	1 472	2	—	—	1 474
Cash, deposits and similar securities	3	—	—	—	3
Working capital assets and liabilities	22	64	—	—	86
Net term finance liquidity position	855	(1 330)	—	475	—

The unsecured subordinated bonds issued by Sanlam Life, 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 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 investments	**14**	**12**	**33**	**—**	**59**
Corporate interest-bearing investments	**172**	**792**	**493**	**—**	**1 457**
Mortgages, policy and other loans	**—**	**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**	**—**
31 December 2013					
Term finance liabilities					
Interest-bearing liabilities	—	—	(2 026)	—	(2 026)
Assets held in respect of term finance	47	1 289	446	244	2 026
Government interest-bearing investments	—	320	11	—	331
Corporate interest-bearing investments	15	774	424	—	1 213
Mortgages, policy and other loans	—	53	11	—	64
Structured transactions	33	140	—	—	173
Investment funds	—	—	—	244	244
Cash, deposits and similar securities	56	2	—	—	58
Working capital assets and liabilities	(57)	—	—	—	(57)
Net term finance liquidity position	47	1 289	(1 580)	244	—

2. Sensitivity analysis – market risk

Refer to page 121 for an analysis of the Group's exposure to market risk as measured by GEV.

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), and the requirements of the Companies Act, No. 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. The following new or revised IFRS and interpretations are applied in the Group's 2014 financial year:

- Amendment to IAS 32 – Clarification of the instances in which the set off of financial assets and liabilities is allowed
- Amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets.

The application of these revised standards did not have a material impact on the Group's financial position, reported results and cash flows.

The following new or revised IFRS 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 2017)

The application of these revised standards and interpretations in future financial reporting periods is not expected to have a significant impact on the Group's reported results, financial position and cash flows.

A glossary containing explanations of technical terms used in these financial statements is presented on page 352.

The following sections provide additional information in respect of the presentation of selected items in the Group financial statements on pages 284 to 351.

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 31 for further information on critical estimates and judgements and note 34 for information on contingencies.

Policyholders' and shareholders' activities

The Group financial statements set out on pages 284 to 351 include the consolidated activities of the policyholders and shareholders. Separate financial information on the activities of the shareholders of the Sanlam Group is disclosed on pages 108 to 161.

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 280 to 283.

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 218 to 263;
- Note 7: Investments;
- Note 15: Long-term policy liabilities;
- Note 16: Term finance; and
- Note 31: 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 shareholders' fund information on pages 108 to 161. Refer to the financial review on pages 70 to 79 and the operational cluster review on pages 80 to 99 for additional information on these business segments and to the Group structure on page 16 for a description of these businesses and the cluster to which they are allocated.

Accounting policies

Introduction

The Sanlam 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.

Significant accounting policies

Basis of consolidation

Subsidiaries and consolidated funds are entities that are controlled by Sanlam 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 considers 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 continual 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 shareholders' share of the recognised values of the subsidiaries' assets and liabilities. Net losses attributable to non-controlling shareholders in excess of the non-controlling interest are recognised as negative reserves against non-controlling 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 shareholders' own operations or operations within the cell shareholders' 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 the opportunity to its own client base 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.

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 20 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 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, 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 assets 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 indicators of 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 counterparties 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 counterparties 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 counterparty 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 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. Objective evidence of impairment would include when market rates of return have increased during the period to such an extent that the asset's recoverable amount has decreased materially.

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 rate, 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 Sanlam 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 in other comprehensive income 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 Sanlam 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 trading purposes by Sanlam Capital Markets and for non-trading purposes by other Group businesses. The fair values related to 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.

Assets of disposal groups classified as held for sale

Assets of disposal groups classified as 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 IFRS. 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 or 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 Sanlam Capital Markets 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.

Shares held in Sanlam Limited by policyholder portfolios and subsidiary companies (treasury shares) are recognised as a deduction from equity on consolidation. The cost of treasury shares acquired is deducted from equity on date of acquisition. The consideration received on the disposal of treasury shares, net of incremental costs attributable to the disposal and tax, is also recognised directly in equity.

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;
- Investments in associates and joint ventures, which are recognised on an equity-accounted basis; and
- Investments in Sanlam Limited shares, which are regarded as treasury shares and deducted from equity on consolidation and consequently valued at zero.

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

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 general insurance business, such as general insurance premiums;
- Income from investment management activities, such as fund management fees and collective investment and linked-product administration fees;
- Income from capital market activities, such as realised and unrealised gains or losses on trading accounts, unsecured corporate bonds and money market assets and liabilities, other securities-related income and fees, and commissions; 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

General 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 general 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, excluding investments relating to capital market activities (refer financial services income policy note for presentation of gains and losses on capital market investments) and dividend and interest income. 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 rates 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 costs, 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 2014:

Deferred Share Plan (DSP)

The DSP was introduced in 2007. In terms of the DSP, 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 can occur in three tranches over a period starting three years from the grant date, subject to certain performance targets.

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, the fact that employees will not be entitled to dividends until the shares vest, as well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

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 can occur on pre-determined dates subject to certain performance targets being met. The fair value of the equity instruments granted on the date of grant is recognised in the statement of comprehensive income on a straight-line basis over the vesting period, adjusted to reflect actual levels of vesting.

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, as well as investment contracts issued by Sanlam Investments and Pensions, unless otherwise stated. The valuation methodology in respect of insurance contracts issued by Sanlam Investments and Pensions is not presented in view of their relatively immaterial contribution to earnings and the relative small size of their insurance contract liabilities.

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 2014 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 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 2014 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 guarantees 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 159 for investment return assumptions per asset class.
- Future expense assumptions are based on the 2014 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 fees minus expenses 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, among 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 return 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.

Group statement of financial position

at 31 December 2014

R million	Notes	2014	2013
ASSETS			
Equipment	1	723	586
Owner-occupied properties	2	1 096	672
Goodwill	3	3 974	3 796
Other intangible assets		439	111
Value of business acquired	4	2 045	1 586
Deferred acquisition costs	5	3 281	2 976
Long-term reinsurance assets	6	941	796
Investments	7	538 155	477 550
Properties	7.1	10 333	9 182
Fixed properties		10 119	8 940
Straight-line rental adjustment		214	242
Equity-accounted investments	7.2	11 895	9 780
Equities and similar securities	7.3	183 040	166 122
Interest-bearing investments	7.4	161 778	131 417
Structured transactions	7.4	12 348	11 906
Investment funds	7.4	133 552	131 029
Cash, deposits and similar securities	7.4	25 209	18 114
Deferred tax	8	365	361
Assets of disposal groups classified as held for sale	38	1 893	415
General insurance technical assets	9	3 964	2 716
Net defined benefit asset	32	144	—
Working capital assets		54 233	69 739
Trade and other receivables	10	37 974	51 339
Cash, deposits and similar securities		16 259	18 400
Total assets		611 253	561 304
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	11	22	22
Treasury shares		(3 584)	(3 581)
Other reserves	12	9 423	9 250
Retained earnings		40 176	35 274
Shareholders' fund		46 037	40 965
Non-controlling interest	14	5 198	3 651
Total equity		51 235	44 616
Long-term policy liabilities	15	443 672	382 309
Insurance contracts		186 626	158 575
Investment contracts		257 046	223 734
Term finance	16	5 775	6 129
Margin business		1 835	2 038
Other interest-bearing liabilities		3 940	4 091
Structured transactions liabilities		766	1 387
External investors in consolidated funds		49 625	55 710
Cell owners' interest		925	814
Deferred tax	8	2 498	2 142
Liabilities of disposal groups classified as held for sale	38	1 466	—
General insurance technical provisions	9	12 592	11 032
Working capital liabilities		42 699	57 165
Trade and other payables	17	40 529	54 799
Provisions	18	283	285
Taxation		1 887	2 081
Total equity and liabilities		611 253	561 304

Group statement of comprehensive income

for the year ended 31 December 2014

R million	Note	2014	2013
Net income		**92 060**	102 000
Financial services income	19	**49 683**	45 104
Reinsurance premiums paid	20	**(6 341)**	(4 963)
Reinsurance commission received	21	**1 125**	675
Investment income	22	**22 491**	19 688
Investment surpluses	22	**28 891**	47 350
Finance cost – margin business	26	**(105)**	(69)
Change in fair value of external investors' liability		**(3 684)**	(5 785)
Net insurance and investment contract benefits and claims		**(58 626)**	(71 376)
Long-term insurance contract benefits	23	**(26 388)**	(26 480)
Long-term investment contract benefits	23	**(22 168)**	(34 106)
General insurance claims		**(14 404)**	(13 861)
Reinsurance claims received	21	**4 334**	3 071
Expenses		**(20 811)**	(18 418)
Sales remuneration		**(6 442)**	(5 825)
Administration costs	24	**(14 369)**	(12 593)
Impairments	39	**(140)**	(34)
Amortisation of intangibles		**(240)**	(263)
Net operating result		**12 243**	11 909
Equity-accounted earnings	25	**1 603**	1 224
Finance cost – other	26	**(517)**	(516)
Profit before tax		**13 329**	12 617
Taxation	27	**(3 534)**	(3 483)
Shareholders' fund		**(3 007)**	(2 422)
Policyholders' fund		**(527)**	(1 061)
Profit for the year		**9 795**	9 134
Other comprehensive income: to be recycled through profit or loss in subsequent periods			
Movement in foreign currency translation reserve		**569**	1 123
Other comprehensive income: not to be recycled through profit or loss in subsequent periods			
Employee benefits re-measurement gain	32	**128**	3
Comprehensive income for the year		**10 492**	10 260
Allocation of comprehensive income:			
Profit for the year		**9 795**	9 134
Shareholders' fund		**8 729**	8 131
Non-controlling interest		**1 066**	1 003
Comprehensive income for the year		**10 492**	10 260
Shareholders' fund		**9 393**	9 030
Non-controlling interest		**1 099**	1 230
Earnings attributable to shareholders of the company (cents):			
Profit for the year:			
Basic earnings per share	28	**436,7**	419,8
Diluted earnings per share	28	**431,5**	401,2

Group statement of changes in equity

for the year ended 31 December 2014

R million	Share capital	Share premium	Treasury shares	Non-distribu-table reserve
Balance at 1 January 2013	21	1	(3 632)	9 858
Comprehensive income	—	—	—	—
Profit for the year	—	—	—	—
Other comprehensive income	—	—	—	—
Net (acquisition)/disposal of treasury shares[2]	—	—	51	—
Share-based payments	—	—	—	—
Transfer to non-distributable reserve	—	—	—	59
Transfer (from)/to consolidation reserve	—	—	—	—
Dividends paid[1]	—	—	—	—
Acquisitions, disposals and other movements in interests	—	—	—	—
Balance at 31 December 2013	21	1	(3 581)	9 917
Comprehensive income	**—**	**—**	**—**	**—**
Profit for the year	**—**	**—**	**—**	**—**
Other comprehensive income	**—**	**—**	**—**	**—**
Net (acquisition)/disposal of treasury shares[2]	**—**	**—**	**(3)**	**—**
Share-based payments	**—**	**—**	**—**	**—**
Transfer from non-distributable reserve	**—**	**—**	**—**	**(47)**
Transfer (from)/to consolidation reserve	**—**	**—**	**—**	**—**
Dividends paid[1]	**—**	**—**	**—**	**—**
Acquisitions, disposals and other movements in interests	**—**	**—**	**—**	**—**
Balance at 31 December 2014	**21**	**1**	**(3 584)**	**9 870**

[1] *A normal dividend of 200 cents per share declared during 2014 in respect of the 2013 financial year (2013: normal dividend of 165 cents per share and a special dividend of 50 cents per share).*
[2] *Comprises movement in cost of shares held by subsidiaries, share incentive trust and other consolidated funds.*

Foreign currency translation reserve	Retained earnings	Subtotal: equity holders	Consoli-dation reserve	Total: equity holders	Non-controlling interest	Total equity
11	31 373	37 632	(1 076)	36 556	2 970	39 526
896	8 134	9 030	—	9 030	1 230	10 260
—	8 131	8 131	—	8 131	1 003	9 134
896	3	899	—	899	227	1 126
—	(195)	(144)	(175)	(319)	11	(308)
—	329	329	—	329	46	375
—	(59)	—	—	—	—	—
—	(29)	(29)	29	—	—	—
—	(4 283)	(4 283)	—	(4 283)	(518)	(4 801)
—	4	4	(352)	(348)	(88)	(436)
907	35 274	42 539	(1 574)	40 965	3 651	44 616
536	**8 857**	**9 393**	**—**	**9 393**	**1 099**	**10 492**
—	**8 729**	**8 729**	**—**	**8 729**	**1 066**	**9 795**
536	**128**	**664**	**—**	**664**	**33**	**697**
—	**(294)**	**(297)**	**(218)**	**(515)**	**(20)**	**(535)**
—	**376**	**376**	**—**	**376**	**57**	**433**
—	**47**	**—**	**—**	**—**	**—**	**—**
—	**(19)**	**(19)**	**19**	**—**	**—**	**—**
—	**(4 009)**	**(4 009)**	**—**	**(4 009)**	**(636)**	**(4 645)**
—	**(56)**	**(56)**	**(117)**	**(173)**	**1 047**	**874**
1 443	**40 176**	**47 927**	**(1 890)**	**46 037**	**5 198**	**51 235**

Group cash flow statement

for the year ended 31 December 2014

R million	Note	2014	2013
Cash flow from operating activities		**35 944**	10 372
Cash generated in operations	36.1	**23 291**	305
Interest and preference share dividends received		**13 334**	11 351
Interest paid		**(622)**	(585)
Dividends received		**7 691**	6 785
Dividends paid		**(4 554)**	(4 679)
Taxation paid		**(3 196)**	(2 805)
Cash flow from investment activities		**(30 033)**	(4 529)
Net acquisition of investments		**(30 140)**	(2 108)
Acquisition of subsidiaries and associated companies	36.2	**(968)**	(2 913)
Disposal of subsidiaries and associated companies	36.3	**1 075**	492
Cash flow from financing activities		**(971)**	143
Movement in treasury shares		**(535)**	(308)
Term finance raised		**27**	2 570
Term finance repaid		**(463)**	(2 119)
Net increase in cash and cash equivalents		**4 940**	5 986
Cash, deposits and similar securities at beginning of the year		**36 491**	30 505
Cash, deposits and similar securities at end of the year	36.4	**41 431**	36 491

Notes to the Group financial statements

for the year ended 31 December 2014

R million	2014	2013
1. Equipment		
Computer equipment	429	380
Cost	1 375	1 184
Accumulated depreciation and impairment	(946)	(804)
Furniture, equipment, vehicles and other	294	206
Cost	897	643
Accumulated depreciation and impairment	(603)	(437)
Equipment	723	586
Reconciliation of carrying amount		
Balance at beginning of the year	586	449
Additions and expenditure capitalised	360	348
Disposals	(59)	(19)
Acquired through business combinations	42	—
Depreciation	(210)	(205)
Foreign currency translation differences	4	13
Balance at end of the year	723	586
2. Owner-occupied properties		
Balance at beginning of the year	672	665
Additions and expenditure capitalised	56	7
Disposals	(1)	—
Acquired through business combinations	477	—
Transfer to investment properties	(111)	—
Foreign currency translation differences	3	—
Balance at end of the year	1 096	672

	R million	2014	2013
3.	**Goodwill**		
	Balance at beginning of the year	**3 796**	3 457
	Gross carrying amount	**3 970**	3 626
	Accumulated impairment	**(174)**	(169)
	Acquired through business combinations	**263**	296
	Impairments	**(97)**	(5)
	Foreign currency translation differences	**12**	48
	Balance at end of the year	**3 974**	3 796
	Gross carrying amount	**4 245**	3 970
	Accumulated impairment	**(271)**	(174)
	Allocation of goodwill		
	Life insurance	**681**	504
	Sanlam Life and Pensions UK	**356**	356
	MCIS Insurance	**177**	—
	Channel Life	**96**	96
	Sanlam Developing Markets	**36**	36
	Other	**16**	16
	Other Sanlam businesses	**3 293**	3 292
	Goodwill held on Group level	**1 198**	1 198
	Santam	**1 003**	1 042
	Sanlam Investment Management	**451**	442
	International: Investment Management	**278**	278
	Glacier	**98**	98
	Other	**86**	114
	Sanlam UK (excluding Sanlam Life and Pensions UK)	**73**	71
	Soras Group	**57**	—
	Sanlam Netherlands Holdings	**49**	49
	Balance at end of the year	**3 974**	3 796

The additions to goodwill during the year ended 31 December 2014 arose primarily from the acquisitions of MCIS Insurance and Soras Limited by Sanlam Emerging Markets and the acquisition of Brolink (Pty) Limited 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 118 for an analysis of Group Equity Value as well as pages 159 to 161 for valuation assumptions used.

R million	2014	2013
4. Value of business acquired		
Balance at beginning of the year	1 586	1 599
Additions during the year	27	60
Foreign currency translation differences	23	157
Acquired through business combinations	641	—
Amortisation	(232)	(230)
Balance at end of the year	2 045	1 586
Gross carrying amount	3 234	2 543
Accumulated amortisation and impairment	(1 189)	(957)
Allocation of value of business acquired		
Sanlam UK	568	663
Sanlam Developing Markets	589	659
Sanlam Emerging Markets	676	—
Other	212	264
Balance at end of the year	2 045	1 586

The additions to value of business acquired relates primarily to the acquisition of databases by Sanlam UK and the acquisition of MCIS Insurance by Sanlam Emerging Markets in 2014.

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 Sanlam Private Investments UK and 10 years for MCIS Insurance, the major businesses to which value of business acquired relates to. 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. Refer to page 118 for an analysis of Group Equity Value. There were no impairments of value of business acquired during the year.

R million	2014	2013
5. Deferred acquisition costs		
Balance at beginning of the year	2 976	2 717
Credited to the statement of comprehensive income	305	259
Acquisition costs capitalised	716	598
Expensed for the year	(411)	(339)
Balance at end of the year	3 281	2 976

	R million	2014	2013
6.	**Long-term reinsurance assets**		
	Balance at beginning of the year	**796**	746
	Movement in reinsurers' share of insurance liabilities	**145**	50
	Balance at end of year	**941**	796
	Maturity analysis of long-term reinsurance assets		
	Due within one year	**63**	17
	Due within two to five years	**171**	167
	Due after more than five years	**689**	612
	Open ended	**18**	—
	Total long-term reinsurance assets	**941**	796
	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).		
7.	**Investments**		
7.1	**Properties**		
	Properties comprise:		
	Office buildings	**3 661**	3 083
	Retail buildings	**2 760**	2 511
	Industrial buildings	**584**	567
	Undeveloped land	**21**	28
	International properties (situated outside South Africa)	**2 977**	2 753
	Other	**330**	240
	Total properties	**10 333**	9 182
	Less: Straight-line rental adjustment	**(214)**	(242)
	Total investment properties	**10 119**	8 940

R million	Note	2014	2013
7. Investments (continued)			
7.1 Properties (continued)			
Reconciliation of carrying amount of properties			
Properties – balance at beginning of the year		9 182	10 027
Additions		718	721
Disposals		(301)	(2 348)
Other movements		—	(2)
Acquired through business combinations		304	—
Foreign currency translation differences		138	524
Investment surpluses		181	260
Transfers from owner-occupied properties		111	—
Properties – balance at end of the year		10 333	9 182
Reconciliation of straight-line rental adjustment			
Straight-line rental adjustment – balance at beginning of the year		242	367
Disposals		(7)	(28)
Movement for the year included in the statement of comprehensive income		(21)	(97)
Straight-line rental adjustment – balance at end of the year		214	242
Contractual future minimum lease payments receivable under non-cancellable operating leases:			
Within one year		694	641
Within two to five years		1 923	1 501
After more than five years		643	791
Future minimum lease payments		3 260	2 933
7.2 Equity-accounted investments			
Investments in associated companies	7.2.1	10 951	8 953
Shriram Capital		4 664	3 191
Shriram Transport Finance Company		984	1 406
Letshego		1 523	1 376
Pacific & Orient		1 005	968
Capricorn Investment Holdings		844	780
Other associated companies		1 931	1 232
Investments in joint ventures	7.2.2	944	827
Sanlam Personal Loans		626	542
Other joint ventures		318	285
Total equity-accounted investments		11 895	9 780

R million	Shriram Capital[1] 2014	Shriram Capital[1] 2013	Shriram Transport Finance Company[1] 2014	Shriram Transport Finance Company[1] 2013
7. Investments (continued)				
7.2 Equity-accounted investments (continued)				
7.2.1 Investments in associated companies				
Details of material associated companies:				
Carrying value of interest – equity method	**4 664**	3 191	**984**	1 406
Fair value of interest – based on internal valuation	**4 992**	3 078	**1 078**	1 297
Fair value of interest – based on quoted prices for listed businesses	**6 582**	3 102	**1 371**	1 284
Effective interest in issued share capital – shareholders' fund[2]	**26%**	26%	**3%**	5%
Summarised financial information:				
Non-current assets	**24 722**	18 638	**54 633**	42 817
Current assets	**5 659**	3 764	**50 541**	48 823
Non-current liabilities	**(3 245)**	(2 576)	**(56 243)**	(43 860)
Current liabilities	**(8 670)**	(6 843)	**(32 247)**	(34 084)
Non-controlling interest	**(6 851)**	(4 092)	**—**	—
Shareholders' equity	**11 615**	8 891	**16 684**	13 696
	4 664	3 191	**984**	1 406
Calculated carrying value	**4 283**	2 947	**497**	681
Goodwill recognised in the carrying value of associate	**381**	244	**487**	725
Revenue	**5 588**	4 096	**15 998**	13 322
Post-tax profit/(loss) from continuing operations	**1 653**	1 413	**2 307**	2 440
Total comprehensive income	**1 653**	1 413	**2 307**	2 440

(1) *Shriram Capital was acquired with an effective date of 1 October 2012, with its business operations (credit, life and general insurance) mainly in India. Earnings for 2014 have been accounted for the period 1 October 2013 to 30 September 2014. 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 Finance Ventures (Chennai) Limited.*

R million	Letshego[3] 2014	2013
7. Investments (continued)		
7.2 Equity-accounted investments (continued)		
7.2.1 Investments in associated companies (continued)		
Carrying value of interest – equity method	**1 523**	1 376
Fair value of interest – based on internal valuation	**1 650**	1 286
Fair value of interest – based on quoted prices for listed businesses	**1 661**	1 421
Interest in issued share capital – shareholders' fund	**23%**	23%
Summarised financial information:		
Non-current assets	**181**	146
Current assets	**7 205**	5 946
Non-current liabilities	**(1 946)**	(1 505)
Current liabilities	**(510)**	(371)
Non-controlling interest	**(184)**	(113)
Shareholders' equity	**4 746**	4 103
	1 523	1 376
Calculated carrying value	**1 104**	960
Goodwill recognised in the carrying value of associate	**419**	416
Dividends received	**67**	41
Revenue	**1 636**	1 293
Post-tax profit/(loss) from continuing operations	**802**	719
Total comprehensive income	**802**	719

[3] *The Group has an effective 23% interest in Letshego, a listed retail credit business in Botswana.*

R million	Pacific & Orient[4] 2014	Pacific & Orient[4] 2013	Capricorn Investment Holdings[5] 2014	Capricorn Investment Holdings[5] 2013
7. Investments (continued)				
7.2 Equity-accounted investments (continued)				
7.2.1 Investments in associated companies (continued)				
Carrying value of interest – equity method	**1 005**	968	**844**	780
Fair value of interest – based on internal valuation	**1 105**	956	**861**	764
Fair value of interest – based on quoted prices for listed businesses	**—**	—	**949**	751
Interest in issued share capital – shareholders' fund	**49%**	49%	**23%**	22%
Summarised financial information:				
Non-current assets	**3 377**	2 671	**26 804**	22 723
Current assets	**279**	291	**4 523**	4 420
Non-current liabilities	**—**	—	**(4 741)**	(4 322)
Current liabilities	**(2 761)**	(2 105)	**(22 577)**	(19 305)
Non-controlling interest	**—**	—	**(1 621)**	(1 354)
Shareholders' equity	**895**	857	**2 388**	2 162
	1 005	968	**844**	780
Calculated carrying value	**439**	420	**546**	482
Goodwill recognised in the carrying value of associate	**566**	548	**298**	298
Dividends received	**77**	—	**—**	—
Revenue	**1 132**	727	**2 506**	1 512
Post-tax profit/(loss) from continuing operations	**198**	115	**667**	375
Other comprehensive income	**—**	—	**—**	—
Total comprehensive income	**198**	115	**667**	375

[4] *The Group acquired a 49% interest in Pacific & Orient Insurance Co Berhad, a niche general insurance business in Malaysia with an effective date of 1 May 2013.*

[5] *The Group has an effective 23% interest in Capricorn Investment Holdings, an investment company in Namibia.*

R million	2014	2013
Details of immaterial associated companies:		
Post-tax profit/(loss) from continuing operations	**521**	400
Other comprehensive income	**—**	—
Total comprehensive income	**521**	400

R million	Sanlam Personal Loans[1] 2014	2013
7. Investments (continued)		
7.2 Equity-accounted investments (continued)		
7.2.2 Investments in joint ventures		
Details of material joint ventures:		
Carrying value of interest – equity method	**626**	542
Fair value of interest – based on internal valuation	**991**	967
Effective interest in issued share capital	**70%**	70%
Class A	**70%**	70%
Class B	**0%**	0%
Summarised financial information:		
Non-current assets	**2 905**	2 629
Current assets	**972**	892
Cash and cash equivalents	**69**	39
Other current assets	**903**	853
Non-current liabilities		
Long-term borrowings	**(1 712)**	(1 549)
Current liabilities	**(1 257)**	(1 269)
Trade and other payables	**(31)**	(28)
Short-term borrowings	**(1 212)**	(1 227)
Taxation payable	**(14)**	(14)
Non-controlling interest	**3**	2
Net asset value attributable to class B shares	**(17)**	(17)
Total equity	**894**	688
	626	542
Calculated carrying value	**626**	482
Shareholders' loan	**—**	60
Revenue	**130**	129
Interest income	**845**	739
Interest expense	**(250)**	(220)
Taxation	**(93)**	(86)
Post-tax profit/(loss) from continuing operations	**205**	187
Other comprehensive income	**—**	—
Total comprehensive income	**205**	187

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

	2014	2013
Details of individually immaterial joint ventures:		
Post-tax profit/(loss) from continuing operations	**39**	87
Other comprehensive income	**—**	—
Total comprehensive income	**39**	87

R million	2014	2013
7. Investments (continued)		
7.3 Equities		
Equities and similar securities comprise:		
Listed on the JSE – at market value	**70 469**	65 450
Unlisted – at directors' valuation	**1 219**	1 488
Offshore equity investments	**6 053**	4 372
Listed – at market value	**5 094**	3 524
Unlisted – at directors' valuation	**959**	848
Equities held by consolidated investment funds	**105 299**	94 812
Total equities and similar securities	**183 040**	166 122
Classification of equities and similar securities		
Designated as at fair value through profit or loss	**183 029**	166 097
Held for trading at fair value	**11**	25
Total equities and similar securities	**183 040**	166 122

%	2014	2013
Spread of equities listed on the JSE by sector[(1)]		
Basic materials	**12,7**	15,4
Consumer goods	**17,4**	16,9
Consumer services	**17,6**	15,1
Financials	**21,0**	19,5
General industrials	**9,8**	11,2
Information technology	**0,1**	0,1
Healthcare	**3,1**	2,2
Property	**3,4**	3,4
Telecommunications	**9,1**	10,8
Other	**5,8**	5,4
	100	100

(1) *Includes the appropriate underlying investments of listed subsidiaries.*

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
7. Investments (continued)				
7.4 Investments other than equities and similar securities, equity-accounted investments and properties				
31 December 2014				
Interest-bearing investments	**160 520**	**—**	**1 258**	**161 778**
Government interest-bearing investments	**74 818**	**—**	**—**	**74 818**
Corporate interest-bearing investments	**81 798**	**—**	**73**	**81 871**
Other interest-bearing investments	**3 904**	**—**	**1 185**	**5 089**
Structured transactions	**11 947**	**401**	**—**	**12 348**
Investment funds	**133 552**	**—**	**—**	**133 552**
Cash, deposits and similar securities	**25 206**	**—**	**3**	**25 209**
	331 225	**401**	**1 261**	**332 887**
31 December 2013				
Interest-bearing investments	131 017	—	400	131 417
Government interest-bearing investments	60 440	—	—	60 440
Corporate interest-bearing investments	66 861	—	309	67 170
Other interest-bearing investments	3 716	—	91	3 807
Structured transactions	11 317	589	—	11 906
Investment funds	131 029	—	—	131 029
Cash, deposits and similar securities	18 108	—	6	18 114
	291 471	589	406	292 466

[1] *The estimated fair value of investments valued at amortised cost amounts to R1 261 million (2013: R406 million). These are classified as level 3 instruments and the valuation is based on discounted cash flows.*

R million	<1 year	1 – 5 years	>5 years	On demand	Total
7. Investments (continued)					
7.4 Investments other than equities and similar securities, equity-accounted investments and properties (continued)					
Maturity analysis:					
31 December 2014					
Interest-bearing investments	**16 886**	**42 079**	**73 271**	**29 542**	**161 778**
Government interest-bearing investments	**1 236**	**5 935**	**58 794**	**8 853**	**74 818**
Corporate interest-bearing investments	**15 484**	**34 278**	**12 676**	**19 433**	**81 871**
Other interest-bearing investments	**166**	**1 866**	**1 801**	**1 256**	**5 089**
Structured transactions[1]	**2 970**	**4 373**	**2 020**	**2 985**	**12 348**
Investment funds	**—**	**—**	**—**	**133 552**	**133 552**
Cash, deposits and similar securities	**11 850**	**4 884**	**364**	**8 111**	**25 209**
Total	**31 706**	**51 336**	**75 655**	**174 190**	**332 887**
31 December 2013					
Interest-bearing investments	10 474	33 677	62 027	25 239	131 417
Government interest-bearing investments	505	4 443	48 683	6 809	60 440
Corporate interest-bearing investments	9 588	27 336	11 818	18 428	67 170
Other interest-bearing investments	381	1 898	1 526	2	3 807
Structured transactions[1]	3 721	5 032	621	2 532	11 906
Investment funds	—	—	—	131 029	131 029
Cash, deposits and similar securities	11 539	2 522	280	3 773	18 114
Total investments other than equities and similar securities, equity-accounted investments and properties	25 734	41 231	62 928	162 573	292 466

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 2014 and 2013 was not material.

7.5 Use of valuation techniques to determine fair value

Refer to note 40 for additional disclosures.

[1] *The approach to the evaluation of the maturity analysis for structured transactions were updated in the current year. Comparative information has been restated accordingly.*

R million	Income tax	Capital gains tax
8. Deferred tax		
Reconciliation of the deferred tax balances:		
Balance at 1 January 2013	414	(1 297)
Temporary differences (charged)/credited to the statement of comprehensive income	(94)	(796)
Accruals and provisions	(29)	4
Tax losses and credits	(34)	—
Net unrealised investment surpluses on shareholders' fund	20	(492)
Net unrealised investment surpluses on policyholders' fund	—	(249)
Other temporary differences	(51)	(59)
Acquisition of subsidiaries	—	4
Foreign currency translation differences	3	(15)
Balance at 31 December 2013	323	(2 104)
Temporary differences (charged)/credited to the statement of comprehensive income	**(22)**	**(182)**
Accruals and provisions	**106**	**—**
Tax losses and credits	**(36)**	**—**
Net unrealised investment surpluses on shareholders' fund	**(17)**	**(174)**
Net unrealised investment surpluses on policyholders' fund	**5**	**9**
Dividends tax	**—**	**—**
Other temporary differences	**(80)**	**(17)**
Acquisition of subsidiaries	**(123)**	**(11)**
Foreign currency translation differences	**(6)**	**(5)**
Disposal of subsidiaries	**(3)**	**—**
Balance at 31 December 2014	**169**	**(2 302)**
Analysis of deferred tax balances at 31 December 2014	**169**	**(2 302)**
Accruals and provisions	**294**	**4**
Tax losses and credits	**129**	**—**
Unrealised gains/losses on shareholders' fund	**(162)**	**(1 399)**
Unrealised gains/losses on policyholders' fund	**5**	**(821)**
Other temporary differences	**(97)**	**(86)**
Analysis of deferred tax balances at 31 December 2013	323	(2 104)
Accruals and provisions	221	4
Tax losses and credits	162	—
Unrealised gains/losses on shareholders' fund	(39)	(1 213)
Unrealised gains/losses on policyholders' fund	—	(830)
Other temporary differences	(21)	(65)

	R million	2014	2013
8.	**Deferred tax (continued)**		
	Total deferred tax asset recognised	**365**	361
	Total deferred tax liability recognised	**(2 498)**	(2 142)
	Total net deferred tax	**(2 133)**	(1 781)
9.	**General insurance technical provisions**		
	General insurance technical provisions	**12 592**	11 032
	Outstanding claims	**7 993**	7 119
	Provision for unearned premiums	**4 367**	3 740
	Deferred reinsurance acquisition revenue	**232**	173
	Less: General insurance technical assets	**3 964**	2 716
	Reinsurers' share of technical provisions		
	Outstanding claims	**2 487**	1 521
	Unearned premiums	**1 027**	823
	Deferred acquisition cost	**450**	372
	Net general insurance technical provisions	**8 628**	8 316

Analysis of movement in general insurance technical provisions

	2014			2013		
R million	Gross	Re-insurance	Net	Gross	Re-insurance	Net
Outstanding claims						
Balance at beginning of the year	**7 119**	**(1 521)**	**5 598**	6 336	(1 173)	5 163
Cash paid for claims settled in the year	**(13 630)**	**2 516**	**(11 114)**	(13 144)	1 873	(11 271)
Increase in liabilities	**14 504**	**(3 482)**	**11 022**	13 927	(2 221)	11 706
Balance at end of the year	**7 993**	**(2 487)**	**5 506**	7 119	(1 521)	5 598
Unearned premiums						
Balance at beginning of the year	**3 740**	**(823)**	**2 917**	3 394	(582)	2 812
Net increase/(release) in the period	**627**	**(204)**	**423**	346	(241)	105
Balance at end of the year	**4 367**	**(1 027)**	**3 340**	3 740	(823)	2 917

R million	2014	2013
10. Trade and other receivables		
Premiums receivable	5 491	4 857
Accrued investment income	2 814	2 344
Trading account	22 826	36 626
Amounts due from reinsurers	800	801
Accounts receivable	6 043	6 711
Total trade and other receivables	37 974	51 339
Classification of trade and other receivables:		
Held for trading at fair value	22 826	36 626
Loans and receivables at amortised cost	15 148	14 713
	37 974	51 339

Trade and other receivables, excluding trading account, are receivable within one year. 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	2014	2013
Maturity analysis of trading account – fair value		
Due within one year	5 301	6 376
Due within two to five years	8 795	9 375
Due after five years	7 567	6 302
On demand	1 163	14 573
Total trading account	22 826	36 626
Maturity analysis of trading account – undiscounted		
Due within one year	7 920	9 152
Due within two to five years	12 113	11 036
Due after five years	14 026	13 198
On demand	1 163	14 573
Total trading account	35 222	47 959

R million		2014	2013
11. Share capital and premium			
Authorised share capital			
4 000 million ordinary shares of 1 cent each	R million	**40,0**	40,0
56,5 million 'A' deferred shares of 1 cent each	R million	**—**	0,6
Balance at end of the year	R million	**40,0**	40,6
Issued share capital: ordinary shares			
Total shares in issue at beginning of the year	million	**2 100,0**	2 100,0
Shares reclassified during the year	million	**66,5**	—
Total shares in issue at end of the year[1]	million	**2 166,5**	2 100,0
Shares held by subsidiaries	million	**(162,2)**	(168,9)
Balance at end of the year	million	**2 004,3**	1 931,1
% of ordinary shares held by subsidiaries		**7,5%**	8,0%
Issued share capital: 'A' deferred shares			
Total number of 'A' deferred shares in issue	million	**—**	56,5
Nominal value and share premium			
Ordinary shares	R million	**22,4**	21,7
Nominal value of 1 cent per share	R million	**21,7**	21,0
Share premium	R million	**0,7**	0,7
'A' deferred shares	R million	**—**	0,6
Total nominal value and share premium	R million	**22,4**	22,3

The contractual measurement period applying to the reclassification of the Sanlam deferred shares ended in December 2013. In terms of the contractual new business volumes formula, a total of 66,5 million deferred shares qualified for reclassification as Sanlam Limited ordinary shares. This included 10 million of the 'B' deferred shares issued to Ubuntu-Botho at 1 cent each in 2014, and together with the 56,5 million 'A' deferred shares, were reclassified as ordinary shares. This increased Sanlam Limited's issued ordinary shares to 2 166,5 million.

Special resolutions by subsidiary companies since the date of the previous directors' report relate to approval of directors' remuneration, general authority to purchase shares, general authority to provide assistance in terms of section 44 of the Companies Act, and general authority to provide assistance to inter-related companies in terms of section 45 of the Companies Act.

[1] *Refer to the Analysis of shareholders on page 163 for information on the distribution of shareholders (which has been audited).*

	Shares 2014 000's	Shares 2013 000's
11. Share capital and premium (continued)		
Executive share incentive schemes[1]		
Total number of shares at beginning of the year	**37 997**	41 536
Unrestricted shares at beginning of the year	**(1 328)**	(2 064)
Restricted shares at beginning of the year	**36 669**	39 472
New restricted shares granted in terms of restricted share and DSP schemes	**5 385**	7 016
Unconditional shares released, available for release, or taken up	**(9 427)**	(8 996)
Shares forfeited	**(895)**	(823)
Restricted shares at end of the year	**31 732**	36 669
Unrestricted shares at end of the year[3]	**1 193**	1 328
Total number of shares at end of the year	**32 925**	37 997
Total equity participation by employees	**32 925**	37 997

	2014	2013
Total equity participation by employees as a percentage of total issued ordinary shares	**1,5%**	1,8%
Approved maximum level of equity participation by employees (number of shares)	**160 000**	160 000

[1] *Refer Remuneration Report on page 182 to 211 for further details of the schemes.*
[2] *Refer to the Directors' Report on page 210 where the directors' interests in contracts and interests of directors and officers in share capital and changes in directors are disclosed (which have been audited).*
[3] *996 604 shares became unrestricted during 2014 (2013: 871 851).*

Details regarding the restricted shares outstanding on 31 December 2014 and the financial years during which they become unconditional, are as follows:

Unrestricted during year ending (subject to performance targets)	Number of shares 000's
31 December 2015	8 003
31 December 2016	12 653
31 December 2017	6 051
31 December 2018	3 409
31 December 2019	1 616

A total of 5,4 million (2013: 7,0 million) restricted shares were granted to staff and executive directors during 2014.

The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R295 million (2013: R272 million) 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 and the probability that the service and performance conditions will be met in part.

	R million	2014	2013
12.	**Other reserves**		
	Non-distributable reserves	**9 870**	9 917
	Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	**9 415**	9 415
	Regulatory reserves of the Group's Botswana and Kenya operations	**455**	502
	Foreign currency translation reserve	**1 443**	907
	Consolidation reserve	**(1 890)**	(1 574)
	Policyholder fund investments in consolidated subsidiaries	**(575)**	(427)
	Policyholder fund investment in Sanlam Limited shares	**(1 315)**	(1 147)
	Total reserves other than retained earnings	**9 423**	9 250

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 R328 million (2013: R479 million) as well as the Group's Kenya operations of R127 million (2013: R23 million).

13. Contingency reserves

Contingency reserves in respect of general insurance business of R26 million are included in shareholders' reserves (2013: R22 million).

	R million	2014	2013
14.	**Non-controlling interest**		
	Santam[1]	**2 174**	1 837
	Sanlam Developing Markets[2]	**59**	1 304
	Sanlam Emerging Markets	**2 652**	202
	Botswana Insurance Holdings Limited	**1 286**	—
	MCIS Insurance	**1 033**	—
	Other	**333**	202
	Sanlam Namibia Holdings	**207**	189
	Other	**106**	119
	Total non-controlling interest	**5 198**	3 651

For additional financial information for subsidiaries with significant non-controlling interest refer to page 349.

[1] *Includes the Santam BBBEE vehicle consolidated at a Sanlam Group Level.*
[2] *Prior year comprises mainly the Group's investment in Botswana Insurance Holdings Limited, which was sold and transferred to Sanlam Emerging Markets (Pty) Limited in 2014.*

R million	2014 Total	2014 Insurance contracts	2014 Investment contracts	2013 Total	2013 Insurance contracts	2013 Investment contracts
15. Long-term policy liabilities						
15.1 Analysis of movement in policy liabilities[1]						
Income	**114 216**	**50 909**	**63 307**	112 282	40 652	71 630
Premium income (note 15.2)	**73 031**	**31 892**	**41 139**	58 795	21 271	37 524
Investment return after tax (note 23)	**41 185**	**19 017**	**22 168**	53 487	19 381	34 106
Outflow	**(66 515)**	**(35 218)**	**(31 297)**	(67 286)	(32 429)	(34 857)
Policy benefits (note 15.3)	**(41 274)**	**(17 898)**	**(23 376)**	(36 401)	(16 344)	(20 057)
Retirement fund terminations	**(3 984)**	**—**	**(3 984)**	(6 300)	—	(6 300)
Transfer to segregated assets	**—**	**—**	**—**	(5 298)	—	(5 298)
Fees, risk premiums and other payments to shareholders' fund	**(21 257)**	**(17 320)**	**(3 937)**	(19 287)	(16 085)	(3 202)
Movement in policy loans	**(66)**	**11**	**(77)**	(39)	(14)	(25)
Net movement for the year	**47 635**	**15 702**	**31 933**	44 957	8 209	36 748
Liabilities acquired through business combinations	**12 022**	**11 937**	**85**	—	—	—
Foreign currency translation differences	**1 706**	**412**	**1 294**	8 768	1 939	6 829
Balance at beginning of the year	**382 309**	**158 575**	**223 734**	328 584	148 427	180 157
Balance at end of the year	**443 672**	**186 626**	**257 046**	382 309	158 575	223 734

R million	2014	2013
15.2 Analysis of premium income[1]		
Individual business	**49 971**	43 150
Recurring	**22 534**	19 964
Single	**25 130**	20 870
Continuations	**2 307**	2 316
Employee benefits business	**23 060**	15 645
Recurring	**7 949**	6 704
Single	**15 111**	8 941
Total premium income	**73 031**	58 795

[1] *The comparative information has been restated for the consistent presentation of reinsurance on a gross basis, causing a reallocation from premium income to fees, risk premiums and other payments to shareholders' fund.*

R million	2014	2013
15. Long-term policy liabilities (continued)		
15.3 Analysis of long-term policy benefits		
Individual business	**34 662**	30 241
Maturity benefits	**17 912**	16 246
Surrenders	**7 678**	6 395
Life and term annuities	**7 384**	6 237
Death and disability benefits[1]	**1 585**	1 231
Cash bonuses[1]	**103**	132
Employee benefits business	**6 612**	6 160
Withdrawal benefits	**3 078**	2 241
Pensions	**1 495**	1 357
Lump-sum retirement benefits	**1 330**	1 181
Taxation paid on behalf of certain retirement funds	**16**	—
Death and disability benefits[1]	**693**	1 360
Cash bonuses[1]	**—**	21
Total long-term policy benefits	**41 274**	36 401

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

R million	2014	2013
15.4 Composition of policy liabilities		
Individual business	**360 755**	315 376
Linked and market-related liabilities	**242 265**	213 737
Smoothed bonus business	**63 992**	53 800
Guaranteed business	**6 822**	7 005
Annuities – guaranteed	**29 918**	27 723
Annuities – participating	**2 119**	128
Non-participating risk business	**12 591**	10 324
Other non-participating liabilities	**3 048**	2 659
Employee benefits business	**82 917**	66 933
Linked and market-related liabilities	**36 972**	33 664
Smoothed bonus business	**15 989**	14 525
Guaranteed business	**212**	167
Annuities – guaranteed	**16 204**	6 712
Annuities – participating	**7 655**	6 966
Non-participating risk business	**5 745**	4 746
Other non-participating liabilities	**140**	153
Total policy liabilities	**443 672**	382 309

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
15. Long-term policy liabilities (continued)					
15.5 Maturity analysis of investment policy contracts					
2014					
Linked and market-related liabilities	**3 686**	**30 328**	**81 333**	**117 448**	**232 795**
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**
Annuities – participating	**—**	**—**	**—**	**—**	**—**
Non-participating risk business	**4**	**—**	**—**	**5**	**9**
Other non-participating liabilities	**—**	**—**	**—**	**251**	**251**
Total investment policies	**4 255**	**36 847**	**81 718**	**134 226**	**257 046**
2013					
Linked and market-related liabilities	3 023	24 116	75 080	98 490	200 709
Smoothed bonus business	383	90	386	14 565	15 424
Guaranteed business	370	6 562	6	167	7 105
Annuities – guaranteed	43	85	14	—	142
Annuities – participating	—	—	—	—	—
Non-participating risk business	2	—	—	3	5
Other non-participating liabilities	—	—	—	349	349
Total investment policies	3 821	30 853	75 486	113 574	223 734

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

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
15.6 Maturity analysis of insurance policy contracts					
2014					
Linked and market-related liabilities	**2 532**	**10 349**	**27 658**	**5 903**	**46 442**
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**	**45 208**	**45 980**
Annuities – participating	**—**	**—**	**1 493**	**8 281**	**9 774**
Non-participating risk business	**569**	**1 351**	**3 590**	**12 817**	**18 327**
Other non-participating liabilities	**55**	**6**	**62**	**2 814**	**2 937**
Total insurance policies	**7 011**	**28 376**	**70 164**	**81 075**	**186 626**
2013					
Linked and market-related liabilities	2 325	10 570	27 563	6 234	46 692
Smoothed bonus business	2 905	12 951	30 927	6 118	52 901
Guaranteed business	9	27	28	3	67
Annuities – guaranteed	16	189	394	33 694	34 293
Annuities – participating	—	—	—	7 094	7 094
Non-participating risk business	161	1 086	2 731	11 087	15 065
Other non-participating liabilities	6	60	59	2 338	2 463
Total insurance policies	5 422	24 883	61 702	66 568	158 575

	R million	2014	2013
15.	**Long-term policy liabilities (continued)**		
15.7	**Policy liabilities include the following:**		
	Provision for HIV/Aids and other pandemics	**3 475**	3 599
	Asset mismatch reserve	**3 458**	3 926

	R million	Note	2014	2013
16.	**Term finance**			
	Term finance comprises:			
	Interest-bearing liabilities held in respect of margin business	16.1	**1 835**	2 038
	Other interest-bearing liabilities	16.2	**3 940**	4 091
			5 775	6 129
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 6,0% and 9,3% (2013: 5,5% and 8,5%) or linked to prime interest rates. The preference shares have different redemption dates up to 2016		**1 835**	2 038
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		**1 157**	1 155
	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		**850**	870
	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		**1 024**	1 022
	Mortgage bonds over properties held in unit-linked policyholder funds. The mortgage over each property is negotiated separately, varies in term from 5 to 20 years, with interest rates linked at a premium between 2,5% and 4,5% to the Bank of England base rate		**512**	626
	Obligations towards beneficiaries of companies limited by guarantee – matched by assets held in this regard		**–**	93
	Redeemable non-voting preference shares issued by subsidiary company; redeemable in tranches up to 2017.		**347**	258
	Other		**50**	67
			3 940	4 091

R million	Notes	2014	2013
16. Term finance (continued)			
16.3 Maturity analysis of term finance – fair value			
Due within one year		**618**	691
Due within two to five years		**2 677**	2 712
Due after more than five years		**2 480**	2 726
Total term finance liabilities		**5 775**	6 129
Maturity analysis of term finance – undiscounted			
Due within one year		**716**	704
Due within two to five years		**2 848**	3 042
Due after more than five years		**3 849**	4 255
Total term finance liabilities		**7 413**	8 001
16.4 Classification of term finance			
At fair value through profit or loss	16.4.1	**3 489**	3 515
Valued at stock exchange prices		**3 031**	3 047
Based on internal valuation		**458**	468
Other financial liabilities	16.4.2	**2 286**	2 614
Total term finance liabilities		**5 775**	6 129
16.4.1 Term finance classified as at fair value through profit or loss			
Total designated as at fair value through profit or loss		**3 489**	3 515
Amount contractually payable at maturity		**3 081**	3 174
16.4.2 Term finance classified as other financial liabilities			
Estimated fair value of term finance liabilities measured at amortised cost		**2 286**	2 614
This valuation is based on discounted cash flows and is classified as level 3. Refer to note 40 for additional fair value disclosures.			
17. Trade and other payables			
Trading account		**22 119**	32 620
Accounts payable		**11 839**	16 305
Policy benefits payable		**3 813**	3 050
Amounts due to reinsurers		**1 062**	1 235
Bank overdrafts		**37**	23
Operating lease creditor		**37**	31
Claims incurred but not reported		**1 622**	1 535
Total trade and other payables		**40 529**	54 799
Classification of trade and other payables:			
Held for trading at fair value		**22 119**	32 620
Other payables at amortised cost		**16 751**	20 613
Non-financial instruments		**1 659**	1 566
Total trade and other payables		**40 529**	54 799

Trade and other payables, excluding trading account, are payable within one year. The estimated fair value of payables at amortised cost approximates fair value. The valuation is based on discounted cash flows and is classified as level 3.

R million	2014	2013
17. Trade and other payables (continued)		
Maturity analysis of trading account – fair value		
Due within one year	**19 137**	20 398
Due within two to five years	**1 437**	1 517
Due after five years	**993**	1 278
Open ended	**552**	9 427
Total trading account	**22 119**	32 620
Maturity analysis of trading account – undiscounted		
Due within one year	**19 176**	21 004
Due within two to five years	**1 708**	1 653
Due after five years	**1 654**	1 942
Open ended	**552**	9 427
Total	**23 090**	34 026

R million	Possible claims	Onerous contracts	Other	Total
18. Provisions				
Details of the different classes of provisions are as follows:				
Balance at 1 January 2013	250	14	132	396
Charged to the statement of comprehensive income	(127)	3	40	(84)
Additional provisions	6	3	40	49
Unused amounts reversed	(133)	–	–	(133)
Utilised during the year	–	–	(27)	(27)
Balance at 31 December 2013	**123**	**17**	**145**	**285**
Charged to the statement of comprehensive income	**1**	**–**	**27**	**28**
Additional provisions	**1**	**–**	**31**	**32**
Unused amounts reversed	**–**	**–**	**(4)**	**(4)**
Utilised during the year	**–**	**–**	**(30)**	**(30)**
Balance at 31 December 2014	**124**	**17**	**142**	**283**
Analysis of provisions				
Current	**–**	**–**	**72**	**72**
Non-current	**124**	**17**	**70**	**211**
Total provisions at 31 December 2014	**124**	**17**	**142**	**283**

18 Provisions (continued)

Possible claims

The Group provides for possible 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 is uncertain.

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

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

Onerous contracts

Provision is made for the full term of the contractual rental payable in respect of vacated offices where the lease term has not yet expired. A provision for related costs (e.g. electricity) is also included.

Other

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

R million	2014	2013
19. Financial services income		
Analysis per revenue source		
Long-term insurance	22 209	20 379
General insurance	22 329	20 344
Other financial services	5 145	4 381
Total financial services income	49 683	45 104
Analysis per revenue category		
Long-term insurance fee income	22 209	20 379
Administration services	3 108	3 141
Investment management fees	720	560
Risk benefit charges and other fee income	18 381	16 678
General insurance premiums	22 329	20 344
Premiums receivable	22 860	20 700
Change in unearned premium provision	(531)	(356)
Other financial services fees and income	5 126	4 323
Trading profit	21	57
Foreign exchange (losses)/gains	(2)	1
Total financial services income	49 683	45 104

R million	2014	2013
20. Reinsurance premiums paid		
Long-term insurance	1 355	1 422
General insurance	4 986	3 541
Premiums payable	5 105	3 741
Change in unearned premium provision	(119)	(200)
Total reinsurance premiums paid	6 341	4 963
21. Reinsurance income		
Reinsurance commission received		
Long-term insurance	6	72
General insurance	1 119	603
Total reinsurance commission received	1 125	675
Reinsurance claims received		
Long-term insurance	884	845
General insurance	3 450	2 226
Total reinsurance claims received	4 334	3 071
22. Investment return		
Investment income		
Equities and similar securities	7 691	6 785
Interest-bearing, preference shares and similar securities	13 671	11 583
Properties	996	1 214
Rental income – excluding contingent rental	1 016	1 261
Contingent rental income	127	89
Rental related expenses	(147)	(136)
Income from margin business(1)	133	106
Total investment income	22 491	19 688
Investment surpluses		
Financial assets designated as at fair value through profit or loss	28 171	45 847
Financial assets classified as held-for-trading	108	1 221
Investment properties	181	163
Profit on disposal of associated companies, subsidiaries and operations	431	119
Total investment surpluses	28 891	47 350
Investment return includes:		
Foreign exchange gains	3 927	6 504

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

R million	2014	2013
23. Long-term insurance and investment contract benefits		
Insurance contracts		
Underwriting policy benefits	7 371	7 099
After tax investment return attributable to insurance contract liabilities (note 15)	19 017	19 381
Total long-term insurance contract benefits	26 388	26 480
Investment contracts		
After tax investment return attributable to investment contract liabilities (note 15)	22 168	34 106
Total long-term investment contract benefits	22 168	34 106
Analysis of underwriting policy benefits		
Individual insurance	4 604	4 120
Employee benefits	2 767	2 979
Total underwriting policy benefits	7 371	7 099
24. Administration costs include:		
Directors' remuneration		
Refer to Remuneration Report on pages 182 to 211 for additional audited information on directors' remuneration.		
Auditors' remuneration		
Audit fees: statutory audit	107	98
Other services provided by:	16	17
Subsidiaries' own auditors	15	14
Other Group auditors	1	3
Total auditors' remuneration	123	115
Depreciation	210	205
Operating leases	570	513
Properties	374	330
Equipment	185	166
Other	11	17
Consultancy fees	670	692
Technical, administrative and secretarial fees	558	459
Employee benefits	7 861	6 749
Salaries and other short-term benefits	6 881	5 883
Pension costs – defined contribution plans	351	302
Pension costs – defined benefit plans	23	30
Share-based payments	433	375
Other long-term incentive schemes	173	159
Number of employees	13 982	12 953

	R million	2014	2013
25.	**Equity-accounted earnings**		
	Investments in associated companies		
	Shriram Capital	**428**	255
	Shriram Transport Finance Company	**101**	75
	Letshego	**193**	186
	Pacific & Orient	**97**	46
	Capricorn Investment Holdings	**80**	50
	Other associated companies	**521**	400
	Investments in joint ventures		
	Sanlam Personal Loans	**144**	131
	Other joint ventures	**39**	81
	Equity-accounted earnings	**1 603**	1 224
26.	**Finance cost**		
	Interest paid and term finance cost in respect of interest margin business	**105**	69
	Finance cost – margin business	**105**	69
	Interest-bearing liabilities designated as at fair value through profit or loss	**500**	470
	Interest-bearing liabilities held at amortised cost	**17**	46
	Finance cost – other	**517**	516
27.	**Taxation**		
	Analysis of income tax per category		
	Normal income tax	**3 330**	2 593
	RSA – current year	**2 133**	1 918
	RSA – prior year	**7**	(29)
	Dividends tax – policyholders	**115**	109
	Foreign	**557**	451
	Capital gains tax	**518**	144
	Deferred tax	**204**	890
	RSA – current year	**(97)**	81
	RSA – prior year	**(7)**	12
	Foreign	**126**	1
	Capital gains tax	**182**	796
	Tax expense	**3 534**	3 483
	Shareholders' fund	**3 007**	2 422
	Policyholders' fund	**527**	1 061
	Tax expense	**3 534**	3 483

R million	2014	2013
27. Taxation (continued)		
In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:		
Included in administration costs	**317**	298
Included elsewhere in the statement of comprehensive income	**83**	75
Total indirect taxes and levies	**400**	373

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

%	2014	2013
Standard rate of taxation	**28,0**	28,0
Adjusted for:		
Non-taxable income	**(4,6)**	(3,9)
Disallowable expenses	**1,8**	1,2
Share-based payments	**(0,1)**	—
Utilisation of assessed losses	**(0,3)**	0,3
Investment surpluses	**(0,4)**	(2,9)
Foreign tax rate differential	**(0,5)**	—
Policyholders	**2,8**	6,1
Other	**(0,2)**	(1,2)
Effective tax rate	**26,5**	27,6

28. Earnings per share

For basic earnings per share the weighted average number of ordinary shares is adjusted for the treasury shares held by subsidiaries, consolidated investment funds and policyholders. Basic earnings per share is calculated by dividing earnings by the adjusted weighted average number of shares in issue.

For diluted earnings per share the weighted average number of ordinary shares is adjusted for the shares not yet issued under the Sanlam Share Incentive Scheme and treasury shares held by subsidiaries. Diluted earnings per share is calculated by dividing earnings by the adjusted diluted weighted average number of shares in issue.

Refer to page 146 for normalised earnings per share, which is based on the economic earnings attributable to the shareholders' fund, and should also be used when evaluating the Group's economic performance.

Cents	2014	2013
Basic earnings per share:		
Headline earnings	**416,5**	416,2
Profit attributable to shareholders' fund	**436,7**	419,8
Diluted earnings per share:		
Headline earnings	**411,6**	397,8
Profit attributable to shareholders' fund	**431,5**	401,2

R million	2014	2013
28. Earnings per share (continued)		
Analysis of earnings:		
Profit attributable to shareholders' fund	**8 729**	8 131
Less: Net profit on disposal of subsidiaries	**(10)**	(27)
Profit on disposal of subsidiaries	**(3)**	(49)
Tax on profit on disposal of subsidiaries	**1**	1
Non-controlling interest	**(8)**	21
Less: Net profit on disposal of associated companies	**(377)**	(63)
Profit on disposal of associated companies	**(428)**	(70)
Tax on profit on disposal of associated companies	**51**	18
Non-controlling interest	**—**	(11)
Less: Equity-accounted non-headline earnings	**(118)**	—
Plus: Impairments	**101**	21
Impairments	**140**	34
Tax on impairments	**—**	(1)
Non-controlling interest	**(39)**	(12)
Headline earnings	**8 325**	8 062

Million	2014	2013
Number of shares:		
Number of ordinary shares in issue at beginning of the year	**2 100,0**	2 100,0
Add: Shares reclassified during the year	**66,5**	—
Less: Weighted Sanlam shares held by subsidiaries (including policyholders)	**(167,6)**	(162,9)
Adjusted weighted average number of shares for basic earnings per share	**1 998,9**	1 937,1
Add: Weighted conversion of deferred shares	**—**	61,0
Add: Total number of shares in respect of Sanlam Limited long-term incentive schemes	**23,9**	28,6
Adjusted weighted average number of shares for diluted earnings per share	**2 022,8**	2 026,7

29. Dividends

A dividend of 225 cents per share (2013: 200 cents per share) was declared in 2015 in respect of the 2014 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R4,9 billion, but may vary depending on the number of shares in issue on the last day to trade.

R million	2014	2013
30. Collateral		
30.1 Collateral provided		
The following assets have been pledged as collateral for the Group's structured transactions, liabilities or contingent liabilities:		
Investments		
Properties	**1 184**	1 328
Interest-bearing investments	**905**	795
Working capital assets		
Trading account	**2 648**	1 368
Cash, deposits and similar securities	**1 756**	2 992
The transferee does not have the right to sell or repledge the assets.		
30.2 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	**15 690**	16 916
Collateral of between 100% and 120% of the value of the loaned securities is held at 31 December 2014.		
Fair value of the collateral held that the Group is permitted to sell or repledge in the absence of default	**2 714**	4 703

31. 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 while 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. Refer to the embedded value of covered business on page 153 for additional information.

31.1 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 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 159 to 161 respectively for the main assumptions applied in determining the embedded value of covered business and the fair value of other Group businesses. Embedded value of covered business and fair value sensitivity analyses are provided on pages 157 and 143 respectively.

31.2 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 280 to 283.

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 (LTIA) 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.

31. Critical accounting estimates and judgements (continued)

31.2 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		Sanlam Life and Pensions UK	
%	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Reversionary bonus business								
Retirement annuity business	**9,8**	9,9	**n/a**	n/a	**9,8**	9,9	**n/a**	n/a
Individual policyholder business	**8,3**	8,4	**6,4**	6,3	**9,1**	9,2	**n/a**	n/a
Individual stable bonus business								
Retirement annuity business	**9,5**	9,6	**8,3**	8,1	**9,5**	9,6	**n/a**	n/a
Individual policyholder business	**8,0**	8,1	**6,4**	6,3	**8,8**	8,9	**n/a**	n/a
Non-taxable business	**9,5**	9,6	**n/a**	n/a	**9,5**	9,6	**n/a**	n/a
Corporate policyholder business	**7,5**	7,6	**n/a**	n/a	**8,8**	8,9	**n/a**	n/a
Individual market-related business								
Retirement annuity business	**9,8**	9,9	**8,3**	8,1	**9,8**	9,9	**2,1**	3,2
Individual policyholder business	**8,3**	8,4	**6,4**	6,3	**9,1**	9,2	**1,7**	2,6
Non-taxable business	**9,8**	9,9	**n/a**	n/a	**9,8**	9,9	**n/a**	n/a
Corporate policyholder business	**7,8**	7,9	**n/a**	n/a	**9,1**	9,2	**n/a**	n/a
Participating annuity business	**8,0**	8,1	**n/a**	n/a	**7,8**	7,9	**n/a**	n/a
Non-participating annuity business*	**8,6**	8,9	**8,5**	9,6	**8,7**	7,9	**2,6**	3,7
Guarantee plans*	**6,5**	6,4	**6,0**	7,5	**n/a**	n/a	**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 regard to future mortality, disability and disability payment termination rates and lapse, surrender and paid-up rates are consistent with the experience for the 4,5 years up to 30 June 2014. 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 and lapse rates are based on the experience for the 4,75 years ending 30 September 2014.

Expenses

Unit expenses are based on the 2014 actual figures and escalated at estimated expense inflation rates per annum. Refer to note 1 on page 157 for a sensitivity analysis of the value of in-force covered business to the main valuation assumptions.

31. Critical accounting estimates and judgements (continued)

31.3 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% (2013: 10%) from management's estimates, no impairment of the DAC asset would be required.

31.4 The ultimate liability arising from claims under general 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 general 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 257 for further information on the estimation of the claims liability.

31.5 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.

In December 2014 the President of India promulgated an insurance ordinance in order to lift the foreign investment cap on Indian insurance companies from 26% to 49%. The Sanlam Group has contractual options to increase its stake in the life and general insurance businesses of the Shriram Capital Group. Pending the finalisation of further related legislation and regulations, significant uncertainty still existed over year-end about the manner in which to execute such transactions, as well as in terms of the values at which such transactions will be approved. It was therefore not possible to estimate with sufficient certainty the probabilities attached to the wide range of possible outcomes and as a result, no values were placed on these options for purposes of 2014 reporting.

31.6 Consolidation of investment funds

The Group invests in a number of investment funds and has 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.

32. Retirement benefits for employees

The Sanlam 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.

At 31 December 2014, 99% of employees were covered by defined contribution funds and 1% by defined benefit funds (2013: 98% and 2% respectively).

32.1 Defined contribution funds

There are separate defined contribution funds for advisers, full-time and part-time office staff. The Sanlam Group contributed R351 million to these funds during 2014 (2013: R302 million).

32.2 Defined-benefit pension funds

The Sanlam Group has three defined-benefit pension funds. These funds relate to:

- Sanlam office personnel;
- Sanlam Investments and Pensions office personnel; and
- Sanlam Developing Markets defined benefit fund SA.

32. Retirement benefits for employees (continued)

32.2 Defined-benefit pension funds (continued)

The majority of the Group's defined benefit obligation is made up of the Sanlam Life Fund. This defined benefit fund is governed by the Pension Funds Act. 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, there are ample reserves to cover shortfalls. 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 funding level of the fund is 121,0% (previous year 118,0%). 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.

A fund surplus of R144 million has been recognised as a result of a portion of the surplus being allocated to Sanlam Life.

Principal actuarial assumptions:		**Sanlam office personnel**	**Sanlam Investments and Pensions**	**Sanlam Developing Markets SA**
2014				
Valuation date		**31 Dec 2014**	**31 Dec 2014**	**31 Dec 2014**
Pre-retirement discount rate	% pa	**8,5%**	**3,7%**	**8,7%**
Post-retirement discount rate	% pa	**1,7%**	**3,7%**	**3,1%**
Future salary increases	% pa	**—**	**—**	**6,3%**
Future pension increases	% pa	**6,8%**	**3,0%**	**5,5%**
Actual experience:				
Actual return on assets	% pa	**10,3%**	**13,3%**	**11,8%**
2013				
Valuation date		31 Dec 2013	31 Dec 2013	31 Dec 2013
Pre-retirement discount rate	% pa	9,0%	4,5%	9,0%
Post-retirement discount rate	% pa	1,5%	4,5%	9,0%
Future salary increases	% pa	7,9%	0%	6,5%
Future pension increases	% pa	6,9%	3,3%	5,0%
Actual experience:				
Actual return on assets	% pa	9,5%	6,0%	21,8%

32. Retirement benefits for employees (continued)

32.2 Defined benefit pension funds (continued)

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.

R million	2014	2013	2012	2011	2010
Net liability recognised in statement of financial position:					
Present value of fund obligations	**1 602**	1 886	1 760	1 760	1 508
Actuarial value of fund assets	**(1 932)**	(2 234)	(2 006)	(1 771)	(1 678)
Net present value of funded obligations	**(330)**	(348)	(246)	(11)	(170)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	**186**	348	246	11	170
Net asset recognised in statement of financial position	**(144)**	—	—	—	—
Experience adjustments on:					
Fund obligations	**2,2%**	1,0%	2,1%	0,3%	(0,8%)
Fund assets	**1,8%**	1,3%	6,0%	0,6%	1,8%

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ (liability)
2014				
Balance at beginning of the year	**2 234**	**(1 886)**	**(348)**	**—**
Current service cost	**—**	**(15)**	**—**	**(15)**
Contributions	**24**	**—**	**—**	**24**
Employee	**1**	**—**	**—**	**1**
Employer	**23**	**—**	**—**	**23**
Benefit payments	**(112)**	**116**	**—**	**4**
Transfers	**(488)**	**488**	**—**	**—**
Interest income/(expense)	**163**	**(143)**	**(31)**	**(11)**
Actuarial gains and losses: change in financial assumptions	**—**	**(139)**	**—**	**(139)**
Returns from plan assets (excluding amounts included in interest)	**74**	**—**	**—**	**74**
Foreign exchange gains and (losses)	**34**	**(23)**	**—**	**11**
Effect of limiting defined benefit asset to amount available to employer	**—**	**—**	**193**	**193**
Other	**3**	**—**	**—**	**3**
Balance at end of the year	**1 932**	**(1 602)**	**(186)**	**144**

32. Retirement benefits for employees (continued)

32.2 Defined-benefit pension funds (continued)

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ (liability)
2013				
Balance at beginning of the year	2 006	(1 760)	(246)	—
Current service cost	—	(29)	—	(29)
Past service cost	—	—	—	—
Contributions	30	—	—	30
Employee	4	—	—	4
Employer	26	—	—	26
Benefit payments	(114)	112	—	(2)
Interest income/(expense)	151	(130)	(19)	2
Actuarial gains and losses: change in financial assumptions	—	43	—	43
Returns from plan assets (excluding amounts included in interest)	40	—	—	40
Foreign exchange losses	124	(122)	—	2
Effect of limiting defined benefit asset to amount available to employer	—	—	(83)	(83)
Other	(3)	—	—	(3)
Balance at end of the year	2 234	(1 886)	(348)	—

	2014 R million	2013 R million	**2014 %**	2013 %
Fund assets comprise:				
Properties	**7**	13	**—**	1
Equities and similar securities	**718**	664	**37**	23
Interest-bearing investments	**828**	949	**43**	35
Cash, deposits and similar securities	**379**	608	**20**	41
	1 932	2 234	**100**	100

The above value of fund assets includes an investment of Rnil (2013: R5,4 million) in Sanlam shares.

No material portion of these assets is unquoted.

32. Retirement benefits for employees (continued)

32.2 Defined-benefit pension funds (continued)

R million	2014	2013
Net expense recognised in the statement of comprehensive income (included in administration costs):		
Interest	11	(2)
Current service cost	15	29
Other	(3)	3
Total included in staff costs	23	30
The following discounted benefits are expected payments to be made in future years out of the defined benefit plan:		
< 1 year	(144)	(170)
1 – 5 years	(481)	(622)
> 5 years	(977)	(1 094)
Total expected payments	(1 602)	(1 886)

Sensitivity analysis for significant assumptions as at 31 December 2014:

	% Change in assumed actuarial assumptions	
	1,0% increase	1,0% decrease
Sensitivity analysis		
Effect of movement in rate of return	(103)	120
Total defined benefit obligation for post-retirement benefits	(1 705)	(1 482)

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- 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%.

32.3 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.

33. Borrowing powers

In terms of the Memorandum of Incorporation of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the Company without limitation.

Material borrowings of the Sanlam Group are disclosed in note 16.

R million	2014	2013
34. Commitments and contingencies		
34.1 Operating leases		
Future operating lease commitments:		
Lease rentals due within one year	523	462
Lease rentals due within two to five years	891	700
Lease rentals due within more than five years	347	142
Total operating lease commitments	1 761	1 304

34.2 Guarantees provided in favour of Sanlam Capital Markets (SCM) and others

Sanlam has guaranteed obligations that may arise under SCM's unlisted commercial paper programme and its JSE structured note programme, as well as SCM's obligations arising from transactions with approved, specified counterparties through direct guarantees. The total limit for the unlisted commercial paper programme is R15 billion and the direct guarantees are subject to an overall R9,5 billion guarantee utilisation limit in terms of the Group governance processes. The total utilisation of the guarantee can be increased to R11 billion, subject to SCM providing acceptable collateral. At 31 December 2014 the value of unlisted commercial paper issued by SCM amounted to R9,0 billion (2013: R10,4 billion). The JSE listed structured notes programme was discontinued during 2014 (2013: R53 million).

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

34.3 Other

Financial claims are lodged against the Group from time to time. Provisions are recognised for 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 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.

35. Related parties

35.1 Major shareholders

Sanlam Limited is the ultimate holding company in the Group.

By virtue of its shareholding in Sanlam Limited, Ubuntu-Botho Investments is considered to be a related party to the Group. Apart from Ubuntu-Botho Investments' role as the Group's broad-based black economic empowerment partner and obtaining new business for the Group, the Group does not enter into transactions with Ubuntu-Botho Investments in the normal course of business.

No other Sanlam shareholders have a significant influence and thus no other shareholder is a related party. The shares are widely held by public and non-public shareholders.

Details of transactions between the policyholders' and shareholders' funds of the Sanlam Group are disclosed in note 15.

The shareholder spread is presented on page 163.

35. Related parties (continued)

35.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R375 million in 2014 (2013: R332 million). There are no amounts outstanding at year-end.

35.3 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 Limited have notified that they did not have a material interest in any contract of significance with the Company or any of its subsidiaries, 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 the Company are disclosed as part of the Remuneration Report elsewhere in the annual report.

35.4 Transactions with entities in the Group

During the year the Company and its subsidiaries, in the ordinary course of business, entered into various transactions with other Group companies, associated companies, joint ventures and other stakeholders. These transactions occurred at arm's length.

The Company advanced, repaid and received loans from other entities in the Group during the current and previous years. These loans have been eliminated on consolidation.

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 31 December 2015 (refer Capital and Risk Management Report).

35.5 Policy administration

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

R million	2014	2013
35.6 Key management personnel compensation		
Compensation paid to the Group's key management personnel is as follows:		
Short-term employee benefits	**358**	339
Share-based payments	**179**	165
Termination benefits	**1**	5
Other long-term benefits and incentive schemes	**34**	71
Total key management personnel compensation	**572**	580

35.7 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 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. No payments have been 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.

R million	2014	2013
36. Notes to the cash flow statement		
36.1 Cash generated/(utilised) in operations		
Profit before tax per statement of comprehensive income	**13 329**	12 617
Net movement in policy liabilities (note 15.1)	**49 341**	53 725
Non-cash flow items	**(29 438)**	(47 313)
Depreciation	**210**	205
Bad debts written off	**33**	384
Share-based payments	**433**	375
Profit/(loss) on disposal of subsidiaries and associates	**(431)**	(119)
Fair value adjustments	**(28 460)**	(47 231)
Impairment of investments and goodwill	**140**	34
Amortisation of intangibles	**240**	263
Equity-accounted earnings	**(1 603)**	(1 224)
Items excluded from cash utilised in operations	**(20 873)**	(17 889)
Interest and preference share dividends received	**(13 804)**	(11 689)
Interest paid	**622**	585
Dividends received	**(7 691)**	(6 785)
Net purchase of fixed assets	**(301)**	(329)
Net purchase of owner-occupied properties	**(55)**	(7)
Increase in net working capital assets and liabilities	**11 288**	(499)
Cash generated/(utilised) in operations	**23 291**	305

36.2 Acquisition of subsidiaries and associated companies		
During the year, various interests in subsidiaries were acquired within the Group.		
Investment in associated companies	**(338)**	(2 604)
The fair value of assets acquired via business combinations is as follows:		
Equipment	**(42)**	—
Owner-occupied property	**(477)**	—
Value of business acquired	**(641)**	—
Investments	**(12 850)**	—
Long-term reinsurance assets	**(11)**	—
Trade and other receivables	**(409)**	(48)
General insurance technical assets	**(12)**	—
Cash, deposits and similar securities	**(959)**	(18)
Deferred tax liabilities	**140**	—
Deferred tax assets	**(6)**	(4)
Long-term policy liabilities	**12 022**	—
Working capital liabilities	**641**	52
Non-controlling interest	**1 161**	1
General insurance technical provisions	**169**	—
Other intangible assets	**(58)**	(22)
Goodwill	**(263)**	(296)
Total purchase consideration	**(1 933)**	(2 939)
Less: Net asset value contributed	**6**	8
Cash, deposits and similar securities acquired	**959**	18
Cash component of acquisition of subsidiaries	**(968)**	(2 913)

R million	2014	2013
36. Notes to the cash flow statement (continued)		
36.3 Disposal of subsidiaries and associated companies		
During 2014, the Group disposed of its investment in Intrinsic and other immaterial subsidiaries		
Investments	**74**	15
Trade and other receivables	**22**	4
Cash, deposits and similar securities	**10**	—
Term finance	**(32)**	—
Deferred tax assets	**3**	—
Working capital liabilities	**(22)**	(10)
Non-controlling interest	**(3)**	—
Investment in associated company	**602**	364
Profit on disposal of subsidiaries and associates	**431**	119
Total disposal price	**1 085**	492
Less: Cash, deposits and similar securities disposed of	**(10)**	—
Cash component of disposal of subsidiaries and associated companies	**1 075**	492
36.4 Cash, deposits and similar securities		
Working capital: Cash, deposits and similar securities	**16 259**	18 400
Investment cash	**25 209**	18 114
Bank overdrafts	**(37)**	(23)
Total cash, deposits and similar securities	**41 431**	36 491

37. Business combinations

37.1 Material acquisitions of the Group consolidated in the 2014 financial year

During May 2014 the Group acquired a 51% interest in MCIS Insurance, a life and general insurance provider in Malaysia. The acquisition is in line with Sanlam's strategy to pursue value accretive growth opportunities in the South-East Asia region. The excess amount paid over fair value of net assets is recognised as goodwill. Non-controlling interests are measured at the proportional share of the acquiree's identifiable net assets.

The goodwill arising from the acquisition relates to synergies between the interest acquired and existing Sanlam Group businesses. None of the goodwill recognised is expected to be deductible for income tax purposes.

Details of the assets acquired and liabilities assumed are as follows:

R million	Fair value recognised on acquisition
Assets	
Equipment	23
Owner-occupied properties	319
Value of business acquired	641
Other intangible assets	41
Long-term reinsurance assets	9
Investment properties	34
Equities and similar securities	1 093
Interest-bearing investments	11 110
Investment funds	416
Cash, deposits and similar securities	801
Assets of disposal group held for sale	1 457
Trade and other receivables	247
Total identifiable assets	16 191
Liabilities	
Long-term policy liabilities	(11 930)
Deferred tax liability	(99)
Liabilities of disposal group held for sale	(1 457)
Trade and other payables	(584)
Taxation	(2)
Total identifiable liabilities	(14 072)
Total identifiable net assets	2 119
Non-controlling interest	(1 038)
Goodwill arising on acquisition	177
Purchase consideration	1 258

The fair value and gross amount of the trade receivables amounts to R247 million. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

From the date of acquisition, MCIS Insurance has contributed R376 million to financial services income and R71 million to the profit before tax of the Group. If the business combination had taken place at the beginning of the year, financial services income of the Group would have increased by R356 million and profit before tax by R62 million.

37. Business combinations (continued)

37.2 Material acquisitions of the Group consolidated in the 2013 financial year

There were no material business combinations during the 2013 financial year.

The contribution to profit and revenue for 2013 is not material.

38. Disposal groups held for sale

MCIS Insurance

When Sanlam Emerging Markets (SEM) acquired MCIS Insurance, it was agreed that the company may sell and transfer, on a going concern basis, the general insurance business to a third party of MCIS's choice. This was contained in the shareholders' agreement between MCIS Insurance and SEM. The directors anticipate that this sale will take place and be complete within the next 12 months.

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.

	R million	2014	2013
38.1	**Assets of disposal groups classified as held for sale**		
	Equities and similar securities	307	299
	Trade and other receivables	120	116
	General insurance assets classified as held for sale	1 466	—
		1 893	415
38.2	**Liabilities of disposal groups classified as held for sale**		
	General insurance liabilities classified as held for sale	1 466	—

R million	2014	2013
39. Impairments		
Impairment of goodwill	**97**	5
Santam businesses	**69**	5
Botswana Insurance Holdings Limited	**25**	—
Other	**3**	—
Impairment of investments	**43**	29
Investment management: International	**18**	3
MicroEnsure	**25**	—
Santam businesses	**—**	26
Total impairment of investments and goodwill for the year	**140**	34

Refer to note 3 and note 4 on page 290 and page 291 for additional information.

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
40. Fair value disclosures (continued)				
Recurring fair value measurements				
31 December 2014				
Properties	—	—	10 333	10 333
Equities and similar securities	180 185	2 460	395	183 040
Interest-bearing investments	107 061	53 063	396	160 520
Structured transactions	4 653	7 695	—	12 348
Investment funds	114 691	18 409	452	133 552
Trading account assets	7 522	15 304	—	22 826
Cash deposits and similar securities	20 053	5 153	—	25 206
Total assets at fair value	434 165	102 084	11 576	547 825
Investment contract liabilities	—	254 494	2 552	257 046
Term finance	3 031	111	347	3 489
Term finance valued at stock exchange prices	3 031	—	—	3 031
Term finance based on internal valuation	—	111	347	458
Structured transactions liabilities	—	766	—	766
Trading account liabilities	1 008	21 111	—	22 119
External investors in consolidated funds	49 476	149	—	49 625
Total liabilities at fair value	53 515	276 631	2 899	333 045
31 December 2013				
Properties	—	1 955	7 227	9 182
Equities and similar securities	162 861	1 948	1 313	166 122
Interest-bearing investments	100 900	29 723	394	131 017
Structured transactions	3 161	8 745	—	11 906
Investment funds	115 828	14 742	459	131 029
Trading account assets	3 021	33 605	—	36 626
Cash deposits and similar securities	13 614	4 494	—	18 108
Total assets at fair value	399 385	95 212	9 393	503 990
Investment contract liabilities	—	222 967	767	223 734
Term finance	3 047	209	259	3 515
Term finance valued at stock exchange prices	3 047	—	—	3 047
Term finance based on internal valuation	—	209	259	468
Structured transactions liabilities	—	1 184	203	1 387
Trading account liabilities	2 265	30 355	—	32 620
External investors in consolidated funds	54 540	1 170	—	55 710
Total liabilities at fair value	59 852	255 885	1 229	316 966

40. Fair value disclosures (continued)

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

R million	Properties	Equities and similar securities	Interest-bearing invest-ments	Struc-tured trans-actions	Invest-ment funds	Cash, deposits and similar securities	Total assets
Assets							
31 December 2014							
Balance at 1 January 2014	7 227	1 313	394	–	459	–	9 393
Total gain/(loss) in statement of comprehensive income	181	82	34	2	50	–	349
Acquisitions	1 022	130	13	–	–	–	1 165
Disposals	(301)	(1 133)	(51)	(2)	(57)	–	(1 544)
Foreign exchange movements	138	3	6	–	–	–	147
Transfers from owner occupied property	111	–	–	–	–	–	111
Transfers from level 2							
Significant – transfer in[1]	1 955	–	–	–	–	–	1 955
Balance at 31 December 2014	10 333	395	396	–	452	–	11 576
31 December 2013							
Balance at 1 January 2013	–	1 881	163	122	353	2	2 521
Adjustment due to IFRS 13	8 419	–	–	–	–	–	8 419
Total gain/(loss) in statement of comprehensive income	440	1 191	92	6	6	–	1 735
Acquisitions	501	222	–	–	56	–	779
Issues	–	–	160	–	–	–	160
Disposals	(2 227)	(1 985)	(34)	(128)	(11)	(2)	(4 387)
Foreign exchange movements	112	4	26	–	–	–	142
Settlements	–	–	(13)	–	–	–	(13)
Transfers from level 1 and level 2							
Not significant (net in/out)	(18)	–	–	–	55	–	37
Balance at 31 December 2013	7 227	1 313	394	–	459	–	9 393

[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 revisited and additional unobservable inputs are included, changing the classification.*

40. Fair value disclosures (continued)

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

R million	Investment contract liabilities[1]	Term finance	Structured transactions liabilities	Total liabilities
Liabilities				
31 December 2014				
Balance at 1 January 2014	**767**	**259**	**203**	**1 229**
Total (gain)/loss in statement of comprehensive income	**82**	**59**	**94**	**235**
Acquisitions	**195**	**–**	**–**	**195**
Disposals	**(505)**	**–**	**(297)**	**(802)**
Foreign exchange movements	**29**	**29**	**–**	**58**
Transfers from level 1 and level 2				
Significant – transfer in[1]	**1 984**	**–**	**–**	**1 984**
Balance at 31 December 2014	**2 552**	**347**	**–**	**2 899**
31 December 2013				
Balance at 1 January 2013	652	97	–	749
Total (gain)/loss in statement of comprehensive income	113	172	197	482
Acquisitions	151	–	6	157
Issues	160	–	–	160
Disposals	(337)	–	–	(337)
Settlements	–	(11)	–	(11)
Foreign exchange movements	28	1	–	29
Balance at 31 December 2013	767	259	203	1 229

[1] *The classification of investment contracts backing investment property has changed in line with the change in the classification of the underlying investments. The policy of the Group is to effect transfers of financial instruments between the fair value hierarchy levels at the beginning of the reporting period.*

R million	2014	2013
Gains and losses (realised and unrealised) included in profit or loss		
Total gains or losses included in profit or loss for the period	114	1 253
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	191	1 007

Transfers between categories

R million	Equities and similar securities	Interest-bearing investments	Structured transactions	Cash, deposits and similar securities	Total assets
2014					
Assets					
Transfer from level 1 to level 2	—	380	106	36	522
Transfer from level 2 to level 1	5	—	—	—	5
2013					
Transfer from level 1 to level 2	—	—	2	25	27

Transfers from level 1 to level 2 relate to Corporate interest-bearing investments and Structured transactions held within the Santam businesses portfolio that was previously disclosed at level 1 but did not trade sufficiently to meet the liquidity requirements for categorisation in level 1 and were thus transferred to level 2.

40. Fair value disclosures (continued)

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

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant unobservable input
Properties	2 and 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	Discounted cash flow model (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	Discounted cash flow model (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 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 and 3	DCF	Bond and forward rate Credit ratings of issuer Liquidity spread Agreement interest curves	Liquidity spread
Structured transactions assets and liabilities	2 and 3	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 asset, multiplied by the number of units held	n/a	n/a

40. Fair value disclosures (continued)

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

Assets

R million	Carrying amount	Effect of a 10% increase in risk adjust-ments	Effect of a 10% decrease in risk adjust-ments	Carrying amount[1]	Effect of a 1% increase in base/capitali-sation rate	Effect of a 1% decrease in base/capitali-sation rate
Properties						
2014						
Cash flow risk adjustments	**10 333**	**(1 033)**	**1 033**			
Base rate				**7 097**	**(264)**	**282**
Capitalisation				**7 097**	**(382)**	**466**
2013						
Cash flow risk adjustments	7 227	(723)	723			
Base rate				7 227	(255)	272
Capitalisation				7 227	(354)	432

R million	Carrying amount[2]	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount[3]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2014						
Equities and similar securities	**323**	**32**	**(32)**	**72**	**(3)**	**3**
Interest-bearing investments	**396**	**40**	**(40)**	**—**	**—**	**—**
Investment funds	**452**	**45**	**(45)**	**—**	**—**	**—**
Total	**1 171**	**117**	**(117)**	**72**	**(3)**	**3**
2013						
Equities and similar securities	755	76	(76)	558	(6)	6
Interest-bearing investments	345	35	(35)	49	(12)	14
Investment funds	459	46	(46)	—	—	—
Total	1 559	157	(157)	607	(18)	20

40. Fair value disclosures (continued)

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

Liabilities

R million	Carrying amount[2]	Effect of a 10% increase in value	Effect of a 10% decrease in value	Carrying amount[3]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
2014						
Investment contract liabilities	**2 552**	**255**	**(255)**	**—**	**—**	**—**
Term finance	**347**	**35**	**(35)**	**—**	**—**	**—**
Total liabilities	**2 899**	**290**	**(290)**	**—**	**—**	**—**
2013						
Investment contract liabilities	494	49	(49)	273	(8)	8
Term finance	259	26	(26)	—	—	—
Derivative liabilities	—	—	—	203	(37)	14
Total liabilities	753	75	(75)	476	(45)	22

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

40. Fair value disclosures (continued)

Assets subject to offsetting, enforceable master netting arrangements and similar agreements

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
31 December 2014								
Assets								
Working capital cash	**1 510**	**–**	**1 510**	**(464)**	**(786)**	**260**	**14 749**	**16 259**
Trading account assets	**5 205**	**–**	**5 205**	**(4 326)**	**(799)**	**80**	**17 621**	**22 826**
Structured transactions assets	**1 857**	**(1 465)**	**392**	**–**	**–**	**392**	**11 956**	**12 348**
Liabilities								
Trading account liabilities	**11 250**	**–**	**11 250**	**(9 557)**	**(1 585)**	**108**	**10 869**	**22 119**
Structured transactions liabilities[(4)]	**2 240**	**(1 918)**	**322**	**–**	**–**	**322**	**444**	**766**
31 December 2013								
Assets								
Working capital cash	2 992	–	2 992	(2 504)	–	488	15 408	18 400
Trading account assets	20 457	(718)	19 739	(2 485)	(2 366)	14 888	16 888	36 627
Structured transactions assets	4 078	(1 494)	2 584	–	–	2 584	9 322	11 906
Liabilities								
Trading account liabilities	19 568	(384)	19 184	(9 753)	–	9 431	13 436	32 620
Structured transactions liabilities[(4)]	3 140	(2 049)	1 091	–	–	1 091	296	1 387

(1) *The figures for other financial instruments column are made up of ISDA netting, CSA collateral, Repo's and scrip 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 the 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 has been pledged to SCM to cover events of default.

(3) *Excludes enforceable netting arrangements. Comparative information has been adjusted accordingly.*

(4) *Structured transactions liabilities include derivative liabilities.*

Sanlam Limited statement of financial position

at 31 December 2014

R million	Note	2014	2013
ASSETS			
Investments in subsidiaries	2	18 520	17 895
Working capital assets		2 913	3 569
Cash and bank		52	49
Taxation receivable		2	—
Loans to Group companies	2	2 859	3 520
Total assets		21 433	21 464
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	3	22	22
Non-distributable reserve		9 342	9 342
Retained earnings		8 812	8 060
Total equity		18 176	17 424
Working capital liabilities		3 257	4 040
Accounts payable		696	637
Loans from Group companies	2	2 561	3 403
Total equity and liabilities		21 433	21 464

Sanlam Limited statement of comprehensive income

for the year ended 31 December 2014

R million	Note	2014	2013
Net income		4 472	4 757
Dividend income		4 432	4 737
Investment surpluses	4	8	—
Other income		32	20
Expenses			
Administration costs	5	(11)	(12)
Net reversal of impairment of loans	2	—	41
Net reversal of impairment of investments	2	627	28
Profit before tax		5 088	4 814
Taxation		(3)	—
Profit for the year		5 085	4 814
Other comprehensive income		—	—
Comprehensive income for the year		5 085	4 814

Sanlam Limited statement of changes in equity

for the year ended 31 December 2014

R million	Share capital	Share premium	Non-distributable reserve[1]	Retained earnings	Total equity
Balance at 1 January 2013	21	1	9 342	7 875	17 239
Profit for the year	—	—	—	4 814	4 814
Dividends paid	—	—	—	(4 629)	(4 629)
Balance at 31 December 2013	21	1	9 342	8 060	17 424
Profit for the year	—	—	—	5 085	5 085
Dividends paid	—	—	—	(4 333)	(4 333)
Balance at 31 December 2014	**21**	**1**	**9 342**	**8 812**	**18 176**

[1] *Pre-acquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998.*

Sanlam Limited cash flow statement

for the year ended 31 December 2014

R million	Note	2014	2013
Cash flow from operating activities		**184**	218
Cash (utilised)/generated in operations	10	**(5)**	110
Dividends received		**4 432**	4 737
Dividends paid		**(4 245)**	(4 629)
Interest income		**7**	—
Taxation paid		**(5)**	—
Cash flow from investment activities			
Additional investment in subsidiaries		**—**	(2 558)
Net increase/(decrease) in cash and cash equivalents		**184**	(2 340)
Cash and cash equivalents at beginning of the year		**166**	2 465
Net impairment of loans included in cash and cash equivalents during the year		**—**	41
Cash and cash equivalents at end of the year		**350**	166

Sanlam Limited
– notes to the financial statements

for the year ended 31 December 2014

1. Accounting policies

The accounting policies of the Sanlam Group as set out on pages 264 to 279 of the Sanlam Group financial statements are also applicable to Sanlam Limited except for investments in subsidiary companies which are reflected at cost or at a lower value if there is an impairment in value.

Additional accounting policy

Financial guarantee contracts

'Financial guarantees' are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially accounted for at fair value, and are not designated as at fair value through profit or loss. Subsequently, the amount is measured at the higher of the amount determined according to IAS 37 – *Provisions*, or the initial fair value less cumulative amortisation in accordance with IAS 18 *Revenue*.

Dividends

Dividends are shown as income. Impairment is considered when the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared and the carrying amount of the investment exceeds the carrying amount of the investee's net assets, including associated goodwill.

R million	2014	2013
2. Group companies		
Investments in Group companies	**18 520**	17 895
Current loans with Group companies	**298**	117
Loans to Group companies	**2 859**	3 520
Loans from Group companies	**(2 561)**	(3 403)
Book value of interest in Group companies	**18 818**	18 012
Net reversal of impairment/(impairment) of investments in Group companies		
Genbel Securities Limited	**496**	42
Sanlam Investments (Pty) Limited	**117**	—
Sanlam PrefCo (Pty) Limited	**14**	(14)
Total net reversal of impairment of investments in Group companies	**627**	28
Fair value of net investment in Group companies		
Investments in subsidiaries – fair value	**82 510**	72 703
Total fair value of net investment in Group companies	**82 510**	72 703

Investments in Group companies are carried at cost less accumulated impairment. The fair value disclosed are classified as level 3 instruments. Investment management subsidiaries are valued at a P/AuM ratio, subsidiaries that conduct life insurance business are valued at embedded value and other subsidiaries and loans are valued at DCF. For a description of the valuation methodology used and sensitivities of main assumptions, refer to note 2.5 on page 142.

2. Group companies (continued)

Loans: Group companies

The loans to/from Group companies are unsecured and payable on demand and are carried at amortised cost less accumulated impairments. No interest is charged but these arrangements are subject to revision from time to time. The carrying value of the loans approximate the fair value. Details regarding the principal subsidiaries of Sanlam Limited are set out on page 348.

R million	2014	2013
Loans to Group companies		
Sanlam Spec (Pty) Limited	–	548
Genbel Securities Limited	77	77
Sanlam Life Insurance Limited	2 703	2 278
Sanlam Investments (Pty) Limited	79	79
Sanpref (Pty) Limited	–	538
	2 859	3 520
Loans from Group companies		
Sanlam PrefCo (Pty) Limited	2 556	3 403
Sanpref (Pty) Limited	5	–
	2 561	3 403
Reversal of impairment of loans		
Sanlam Spec (Pty) Limited	–	41
Total	–	41

3. Share capital and premium

Details of the share capital and premium are reflected in note 11 on page 304 of the Sanlam Group financial statements.

4. Investment surpluses

Investment surpluses relate to the profit on the sale of the investment in subsidiaries during the financial year, as well as funds received on previously written off loan assets.

for the year ended 31 December 2014

5. Administration costs include:

Directors' remuneration

Details of the directors' remuneration is reflected in note 24 on page 315 of the Sanlam Group financial statements.

6. Dividends

Details of the dividends declared are disclosed in note 29 on page 318 of the Sanlam Group financial statements.

7. Borrowing powers

In terms of the memorandum of incorporation of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.

8. Commitments and contingencies

Details of commitments and contingencies are reflected in note 34 on page 327 of the Sanlam Group financial statements. The maximum utilisation under all of the guarantees granted in favour of Sanlam Capital Markets is R11 billion (2013: R11 billion).

9. Related parties

Details of related parties are reflected in note 35 on page 327 of the Sanlam Group financial statements.

R million	2014	2013
10. Notes to the cash flow statement		
Cash utilised in operations		
Profit before tax	**5 088**	4 814
Non-cash flow items		
Net reversal of impairments of investments in Group companies	**(627)**	(28)
Net (reversal of impairment)/impairment of loans	**—**	(41)
Investment surpluses	**(8)**	—
Items disclosed separately		
Dividends received	**(4 432)**	(4 737)
(Decrease)/increase in net working capital liabilities	**(26)**	102
Cash (utilised)/generated in operations	**(5)**	110

11. Capital and risk management

The main financial instrument risk that Sanlam Limited is exposed to, is credit risk in respect of its loans to Group companies. These loans are tested for impairment, by establishing whether the net asset value of the underlying Group company is sufficient to cover the outstanding loan amount. Where the net asset value (including any impairments recognised in that company), is less than the carrying value of the loan, an impairment loss is recognised, as disclosed in note 2 on page 344. The credit quality of each loan has been assessed as acceptable within the parameters used to measure and monitor credit risk.

Sanlam Limited's maximum exposure to credit risk is calculated as follows:

R million	2014	2013
Carrying value of loans granted	**2 859**	3 520

Further details of risk management are disclosed in the Capital and Risk Management report on page 218.

12. Tax rate reconciliation

The effective tax rate of Sanlam Limited of 0,1% (2013: 0%) differs from the standard rate of taxation of 28% (2013: 28%) due to the effects of non-taxable income: -27,8% (2013: -28%) and other differences -0,1% (2013: 0%).

Principal subsidiaries

at 31 December 2014

R million	% Interest	Issued ordinary capital 2014	Fair value of interest in subsidiaries – Shares 2014	Shares 2013	Loans 2014	Loans 2013
Long-term insurance						
Sanlam Life Insurance Limited	100	5 000	68 155	60 542	2 703	2 278
Investment and capital markets						
Genbel Securities Limited	100	253	2 538	2 042	77	77
Investment management and consulting						
Sanlam Independent Financial Services Pty Limited	100	(1)	(1)	(1)	—	—
Sanlam Investment Holdings Limited	100	(1)	1 825	1 705	—	—
Sanlam Netherlands Holding BV(2)	100	2 309	6 873	5 743	—	—
Investment companies						
Sanlam Spec Pty Limited(3)	100	(1)		—	—	548
Sanlam Investments Pty Limited	100	500	127	10	79	79
Sanlam Share Incentive Trust	100	(1)		—		—
Sanpref Pty Limited	100	(1)		(1)	(5)	538
Sanlam PrefCo Pty Limited	100	(1)	2 694	2 544	(2 556)	(3 403)
Total			82 212	72 586	298	117

(1) *Issued share capital is less than R1 000.*
(2) *Incorporated in the Netherlands.*
(3) *Sanlam Limited provided a letter of guarantee to Sanlam Investment Holdings Pty Limited and Sanlam Independent Financial Services Pty Limited.*
(4) *Sanlam Limited, with Sanlam Spec Pty Limited, provided a letter of guarantee to Real Futures Pty Limited.*

A register of al subsidiary companies is available for inspection at the registered office of Sanlam Limited. All investments above are unlisted and incorporated in South Africa unless otherwise indicated. Sanlam Limited, via its investment in Sanlam Life Insurance Limited, has the following subsidiaries with material non-controlling interests.

Analysis of the Group's holding in material subsidiaries:

	Santam Limited[(1)]		Botswana Insurance Holdings Limited[(2)]		MCIS Insurance[(3)]	
	2014 %	2013 %	**2014 %**	2013 %	**2014 %**	2013 %
Shareholders' fund						
Sanlam Life Insurance Limited	**59,20**	59,34	**60,39**	55,46	**51,00**	–
Policyholders' fund						
Sanlam Life Insurance Limited	**2,14**	1,80	**2,13**	2,11	**–**	–
Non-controlling interest						
Sanlam Life Insurance Limited	**38,66**	38,86	**37,48**	42,43	**49,00**	–
Total	**100,00**	100,00	**100,00**	100,00	**100,00**	–

(1) The financial information of Santam Limited, incorporated and operating mainly in South Africa, which has a material non-controlling interest has been presented in the Shareholders' Fund section on page 124 and page 126. The carrying amount of the non-controlling interest is presented in note 14 of the Group financial statements on page 306.

(2) The financial information of Botswana Insurance Holdings Limited, incorporated and operating mainly in Botswana, which has a material non-controlling interest has been summarised below. This information is provided based on amounts before inter-company eliminations.

(3) The financial information of MCIS Insurance, incorporated and operating mainly in Malaysia, which has a material non-controlling interest has been summarised below. This information is provided based on amounts before inter-company eliminations.

Santam summarised statement of cash flow for the year ended 31 December 2014:

R million	**2014**	2013
Operating	**1 930**	1 277
Investing	**(989)**	(1 175)
Financing	**(795)**	(358)
Net increase/(decrease) in cash and cash equivalents	**146**	(256)
Dividends paid to non-controlling interests	**377**	340

Principal subsidiaries continued

at 31 December 2014

Financial information of Botswana Insurance Holdings Limited

R million	2014	2013
Summarised statement of profit or loss:		
Net income	**3 598**	5 733
Net insurance and investment contract benefits and claims	**(2 383)**	(4 658)
Expenses	**(705)**	(620)
Share of profit of associates and joint ventures	**259**	220
Profit before tax	**769**	675
Income tax	**(132)**	(99)
Profit for the year	**637**	576
Total comprehensive income	**633**	602
Attributable to non-controlling interests	**238**	244
Dividends paid to non-controlling interests	**100**	45
Summarised statement of financial position as at 31 December 2014:		
Assets		
Investments	**17 078**	15 834
Other non-current assets	**176**	209
Other current assets	**5**	7
Cash and cash equivalents (current)	**812**	705
Trade and other receivables (current)	**248**	326
Liabilities		
Policyholder liabilities	**(14 357)**	(13 514)
Deferred tax (non-current)	**(41)**	(29)
Other current liabilities	**(31)**	(42)
Trade and other payables (current)	**(555)**	(531)
Total equity	**3 335**	2 965
Attributable to:		
Equity holders of the parent	**2 049**	1 707
Non-controlling interest	**1 286**	1 258
Summarised statement of cash flows for the year ending 31 December 2014:		
Operating	**1 122**	(4 955)
Investing	**(1 033)**	4 625
Net decrease in cash and cash equivalents	**89**	(330)

Financial information of MCIS Insurance

R million	2014	2013
Summarised statement of profit or loss:		
Net income	690	—
Net insurance and investment contract benefits and claims	(351)	—
Expenses	(268)	—
Profit before tax	71	—
Income tax	(35)	—
Profit for the year	36	—
Total comprehensive income	37	—
Attributable to non-controlling interests	20	—
Dividends paid to non-controlling interests	(24)	—
Summarised statement of financial position as at 31 December 2014:		
Assets		
Investments	14 007	—
Assets of disposal group held for sale	1 466	—
Other non-current assets	1 142	—
Cash and cash equivalents (current)	7	—
Trade and other receivables (current)	288	—
Liabilities		
Policyholder liabilities	(12 449)	—
Liabilities of disposal group held for sale	(1 466)	—
Deferred tax (non-current)	(98)	—
Other current liabilities	(8)	—
Trade and other payables (current)	(779)	—
Total equity	2 110	—
Attributable to:		
Equity holders of the parent	1 077	—
Non-controlling interest	1 033	—
Summarised statement of cash flows for the year ending 31 December 2014:		
Operating	105	—
Investing	(507)	—
Net decrease in cash and cash equivalents	(402)	—