

SANLAM LIFE INSURANCE LIMITED

Annual Financial Statements

2013

SANLAM LIFE INSURANCE LIMITED

REGISTRATION NO. 1998/021121/06

Company incorporated in South Africa

Directors

Independent Non-Executive

DK Smith (Chairman)	MP Mthethwa
AD Botha	FA du Plessis (retired 05/06/2013)
MV Moosa	SA Nkosi
I Plenderleith ⁽¹⁾ (retired 04/09/2013)	P de V Rademeyer
MMM Bakane-Tuoane	CG Swanepoel
ZB Swanepoel	PL Zim
P Bradshaw ⁽¹⁾ (appointed 07/08/2013)	A Duggal (appointed 15/01/2013) ⁽³⁾

Non-Executive

PT Motsepe	RV Simelane
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Executive

J van Zyl ⁽²⁾	JP Möller ⁽²⁾
TI Mvusi ⁽²⁾	
Y Ramiah ⁽²⁾	

⁽¹⁾ British

⁽²⁾ Full time employees

⁽³⁾ American national and resident of India

Company Secretary

S Bray

Registered office

2 Strand Road
Bellville
7530

Postal address

PO Box 1
Sanlamhof
7532

Auditors

Ernst & Young Inc.
P O Box 504
Sanlamhof
7532

Pages 12 to 144 of the financial statements have been audited. Refer to the Independent Auditors' report on page 10. The preparation of the consolidated and separate financial statements was supervised by the Financial Director, JP Möller CA(SA).

SANLAM LIFE INSURANCE LIMITED
Annual Financial Statements

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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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


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

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

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

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

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



J van Zyl

Director

5 March 2014

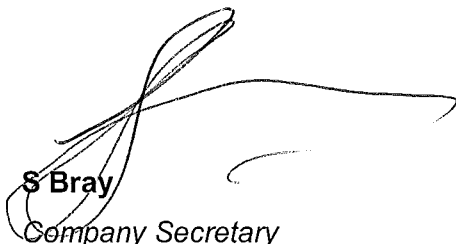


JP Möller

Director

CERTIFICATE BY COMPANY SECRETARY

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, that for the year ended 31 December 2013, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



S Bray

Company Secretary

5 March 2014

REPORT OF THE STATUTORY ACTUARY OF SANLAM LIFE INSURANCE LIMITED

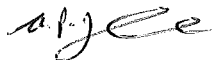
Statutory valuation

The following major life insurance companies have been consolidated in the Sanlam Life Insurance Limited group annual financial statements set out on pages 12 to 144:

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

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

- The valuation of the company as at 31 December 2013, has been performed in all material respects on the bases as set out on pages 34 to 39, as applicable. The valuation has been prepared and the results are presented in accordance with the applicable actuarial and statutory guidelines;
- The assets of the company exceeded its liabilities plus the capital adequacy requirements as at 31 December 2013;
- The company was financially sound on the statutory basis as at the valuation date, and in the opinion of the Statutory Actuary is likely to remain financially sound for the foreseeable future, where financial soundness includes meeting asset spread requirements, where applicable; and
- The management actions assumed for the calculation of the capital adequacy requirements have been approved by the Board of Directors of the company and the Statutory Actuary expects that these actions would be taken if the corresponding risks were to materialise.



AP Zeeman FASSA
Statutory Actuary
5 March 2014

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

NATURE OF BUSINESS

The core activities of the Sanlam Life Insurance Limited include long-term insurance, investment management and other related financial services activities. Sanlam Life Insurance Limited is a public company incorporated in terms of the Companies Act in South Africa.

CORPORATE GOVERNANCE

Application of and approach to King III

The Sanlam Life Insurance Limited Group's Risk and Compliance committee is satisfied that the Sanlam Life Insurance Limited Group (Sanlam Life Group) complies with the King III principles and has taken steps to ensure adherence with the obligations placed on the Group as a consequence thereof. Details of Sanlam Limited Group's application of each King III principle is available on the website www.sanlam.co.za. The company assesses its compliance level in respect of King III on a continuous basis. To ensure that Sanlam's governance framework will be of a superior standard and aligned with governance best practice developments, a King III task team has been established in the Group and will give continuous guidance on King III principles and practices. Sanlam uses these governance trends and developments as an opportunity to review its governance framework and structures throughout the Group. To this end, provisions impacting operations have and are being identified and addressed through action plans and regular monitoring and reporting to the appropriate governance structures. Ongoing progress reports in this regard are presented to the Sanlam Life Board, as well as its Risk and Compliance committee. A number of policies and procedures have been addressed within the main operating companies in the Sanlam Group, including Sanlam Life Insurance Limited. The Board has embedded the principles and recommendations of King III across the Group.

During the past financial year these included the following:

- The existing Sanlam Life Group Corporate Governance Policy Framework was updated in December 2013 to ensure alignment with the King III recommendations on a subsidiary, joint venture and associated company level. It includes the Group Business Philosophy, Code of Ethical Conduct as well as the Board Approval Framework;
- The annual evaluation of the independent status of the directors was again conducted in accordance with the King III standards and criteria;
- The Sanlam Group prepared a comprehensive Integrated and Sustainability Report for 2013;
- Sanlam's Risk Appetite Statement has been approved by the Sanlam Life Board and is reviewed annually;
- The Combined Assurance Model for Sanlam Life Insurance Limited as well as significant businesses within the Group has been updated and approved by the Board;
- The Group IT Governance Framework and Charter as well as the IT Policy Framework continue to be implemented;
- A comprehensive Stakeholder Engagement Strategy and Communication Policy was finalised.
- Sanlam annually presents a Remuneration Report to its shareholders, enabling them to cast a non-binding advisory vote on the company's Remuneration Policy. The disclosure in the 2013 Remuneration Report was expanded in line with developing best practice; and

- The members of the Sanlam Group Audit, Actuarial and Finance committee have been elected by the shareholders at the AGM held in June 2013 and this process will be repeated in 2014. These members are also members of the Sanlam Life Audit, Actuarial and Finance Committee.

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

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

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

Refer to the Sanlam Group Integrated Report 2013 for a greater appreciation of the application of King III by the Sanlam Group. Specifically, under the Group's Code of Ethical Conduct, no material breaches were reported during 2013. The Group compliance function, together with the compliance functions of the business divisions and units, facilitates the management of compliance through the analysing of statutory and regulatory requirements, and monitoring of the implementation and execution thereof. Material deviations are reported to the Sanlam Risk and Compliance committee. No material matters of non-compliance with applicable laws, industry regulations and codes, as well as internal policies, were reported during 2013.

Board responsibilities and functioning

All the directors of Sanlam Limited (Sanlam) also serve on the Board of Sanlam Life Insurance Limited (Sanlam Life). The two Boards function as an integrated unit in practice as far as possible. Both Boards have the same independent director as chairman, as well as the same executive director as CEO. The Sanlam Life Board is responsible for statutory issues across all the Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, as well as compliance with Long-term Insurance Act requirements. The responsibility for managing all Sanlam's direct subsidiaries has been formally delegated to the Sanlam Life Board. The Sanlam Life Board has the following Board Committees:

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

The annual Board effectiveness review was conducted internally during 2013. It was reported that the Boards and committees were functioning very well and there were no material matters to report.

Refer to the Sanlam Group Integrated Report 2013 for a greater appreciation of the composition and functioning of the Board. Further details of Board members, including their qualifications, committee memberships and other major positions, directorships or associations, are disclosed on pages 40 to 49 of the Sanlam Group Integrated Report 2013.

Audit, Actuarial and Finance committee (“Audit committee”)

Members and dates of first appointment

P de V Rademeyer (Chairman) (08/06/2011), PR Bradshaw (04/12/2013), MP Mthethwa (01/07/2011), FA du Plessis (retired 05/06/2013), I Plenderleith (retired 04/09/2013) and CG Swanepoel (08/06/2011).

Attendees

Group Chairman, Group Chief Executive, Financial Director, Chief Actuary, Chief Audit Executive, the heads of business clusters (as needed) as well as expert invitees: AS du Plessis, PJ Cook and D Ladds.

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

The Audit committee has a formal terms of reference approved by the Board, and is satisfied it has discharged these responsibilities. The role of the Audit committee is to fulfil all of the functions set out in the Companies Act, 2008, to assist the Board in fulfilling its responsibility with regard to financial and auditing oversight responsibilities, as well as the overall quality and integrity of financial and actuarial reporting and internal control matters. The Audit committee annually evaluates the company’s internal controls and has satisfied itself that there were no material breakdowns in internal financial control systems during the year.

The Audit committee, after due consideration, has recommended the financial statements to the Board for approval. It also performs the prescribed statutory requirements including those applicable to the external auditor. The last-mentioned includes the annual recommendation of the external auditor, agreeing to the scope of the audit and budgeted audit fees in the annual audit plan presentation and approval of the final audit fees. As required by the Companies Act, 2008, the committee annually reviews compliance of the external auditor with the non-audit services policy.

The Audit committee ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.

The committee also reviews and approves the Internal Audit Charter, reviews the effectiveness of the internal audit structures and considers the findings of internal audit. The committee also meets with the Chief Audit Executive independently of management.

The Audit committee performs an annual evaluation of the financial function in Sanlam. The committee executed this responsibility at its meeting in December 2013 and was satisfied that the financial function has appropriate resources, skills and experience. The committee also confirmed that it is satisfied that Mr JP Möller, the financial director, possesses the appropriate expertise and experience to meet the responsibilities required for that position. The committee also reviewed and confirmed its satisfaction with the performance of the Chief Audit Executive during the year.

As required by the Companies Act of 2008, the committee has, after consideration of the level and types of non-audit services provided and other enquiries and representations, satisfied itself that the

external auditor is independent of the company and has nominated the reappointment of Ernst & Young Inc. for the 2014 financial year. The Board has recommended to the shareholders the appointment of Ernst & Young Inc. as external auditor and Mrs JC de Villiers as the designated individual registered auditor who will undertake the audit of Sanlam Life Insurance Limited on behalf of Ernst & Young Inc.

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

The committee meets four times a year.

The Audit committee report for the 2013 financial year

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

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

The Audit committee did not receive any concerns or complaints from external stakeholders during the year. The Audit committee has satisfied itself that the auditors are independent of the company and are thereby able to conduct their audit functions without any undue influence from the company.

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

P de V Rademeyer

Audit Committee Chairman

GROUP AND COMPANY RESULTS

Profit before tax for the Group increased from R11 203 million in 2012 to R12 730 million in 2013, mainly as a result of higher relative investment market performance in 2013. Profit before tax for the Company decreased from R14 988 million in 2012 to R11 565 million in 2013. Further details regarding the Group's results are included in the financial statements on pages 40 to 144.

SHARE CAPITAL

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

DIVIDEND

The Board approved the declaration and payment of dividends amounting to a maximum of R4 000 million (2012: R4 500 million) in respect of the 2013 financial year.

SUBSIDIARIES

Details of the company's principal subsidiaries are set out on page 88.

HOLDING COMPANY

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

DIRECTORS' INTEREST IN CONTRACTS

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

DIRECTORS AND SECRETARY

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

DIRECTORS' EMOLUMENTS

Refer to note 24 for details on directors' emoluments. Further details can also be found in the Remuneration report in the Sanlam Group Integrated Report 2013.

EMPLOYMENT EQUITY

The required report in terms of section 21 of the Employment Equity Act has been submitted and a compliance certificate has been issued. See page 145 for an extract of the report.

EVENTS AFTER THE YEAR END

No material facts or circumstances have arisen between the dates of the statement of financial position and this report that affect the financial position of Sanlam Life Insurance Limited at 31 December 2013 as reflected in these annual financial statements.

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

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

In accordance with Section 45(5) of the Act this serves to give notice that the Sanlam 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 2013, 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 Life Group's net asset value provided for in the Act.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been approved by the directors as reflected on page 3, including the certificate by the company secretary on page 3 and the audit committee report for the 2013 financial year on page 8.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SANLAM LIFE INSURANCE LIMITED

We have audited the consolidated and separate financial statements of Sanlam Life Insurance Limited set out on pages 12 to 144, which comprise the statements of financial position as at 31 December 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sanlam Life Insurance Limited as at 31 December 2013, 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 2013, 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

5 March 2014

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 Companies Act 71 of 2008 (as amended), in South Africa. The financial statements are presented in South African rand rounded to the nearest million, unless otherwise stated. The following new or revised IFRSs and interpretations are applied in the Group's 2013 financial year:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits – Amendment regarding removal of corridor method and other comprehensive income treatment
- Amendment to IFRS 7 – Disclosures relating to offsetting of financial assets and liabilities
- Amendments to IAS 1 –Financial statement presentation
- IAS 27 Separate Financial Statements – Consequential amendments resulting from consolidation project
- IAS 28 Investments in Associates and Joint Ventures – Consequential amendments resulting from consolidation project
- May 2012 Improvements to IFRS

The retrospective application of IFRS 10 required restatement of the Group's previous IFRS financial statements. The nature and the effect of this change are disclosed below. The application of the remainder of the new standards and interpretations did not have a significant impact on the Group's financial position, reported results and cash flows. Certain of these new standards however required additional disclosures in the financial statements.

IFRS 10: Consolidated financial statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Previously, only holdings in investment funds of greater than 50% were consolidated. As a result of the adoption of IFRS 10 the Group consolidated a number of additional funds, effectively leading to reclassifications of line items on the Statement of Financial Position and the Statement of Comprehensive Income.

This change has been applied retrospectively, as required by the transitional arrangements of IFRS 10, and hence led to reclassifications of the comparative information.

Alignment of investment classification for Solvency Assessment and Management (SAM) classifications

All investments have been reclassified to new revised investment categories. These new categories align IFRS investment classifications with the required SAM classifications. All comparative information have been reclassified accordingly.

The impact of these reclassifications on the Statement of Financial Position as at 1 January 2012 and 31 December 2012 as well as the Statement of Comprehensive Income for the year ended 31 December 2012 is disclosed in note 42.

These reclassifications in the current and prior period had no impact on the group's total comprehensive income, shareholders' fund or net asset value.

Additional disclosures

IFRS 12: Disclosure of interests in other entities

IFRS 12 is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Additional information as required by this standard is provided in the annual financial statements.

IFRS 13: Fair value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*.

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

- Amendment to IAS 32 – Clarification of the instances in which the set off of financial assets and liabilities is allowed (effective 1 January 2014)
- Amendment to IFRS 10 – Investment entities exemption (effective 1 January 2014)
- IFRS 9 Financial Instruments (effective 1 January 2018)

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.

The following section provides additional information in respect of the presentation of selected items in the Group and company financial statements on pages 40 to 92 and pages 98 to 144.

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;
- Deferred taxation;
- The valuation of policy liabilities;
- Potential claims and contingencies; and
- The consolidation of investment funds where the Group have a significant non-controlling interest.

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

Policyholders' and shareholders' activities

The Group financial statements set out on pages 40 to 92 include the consolidated activities of the policyholders and shareholders. The Statement of Actuarial Values of Assets and Liabilities of the Group is disclosed on pages 93 to 97.

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 34 to 39.

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 and promissory notes. 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 98 to 144;
- Note 7: Investments;
- Note 15: Long-term policy liabilities;
- Note 16: Term finance;
- Note 30: Critical accounting estimates and judgements, and
- Note 40: Fair value disclosures

Segmental information

The Group's segments are based on the dominant source and nature of the Group's risks and returns, which are also reflected in the Group's operational management structure. The segmental information is presented for operating segments. The segments are life insurance; investment management and short-term insurance. The life insurance segment includes the activities of Sanlam Personal Finance, Sanlam Employee Benefits and Sanlam Emerging Markets. The premiums in respect of the majority of individual underwriting business can be rerated. The individual and employee benefits products are therefore subject to similar risks and are accordingly not disclosed as separate segments.

Required geographical information is presented. The geographical segments are identified as segments that are subject to risks and returns that differ from those of segments operating in other economic environments. The segments are Republic of South Africa, Africa and Other international.

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

Intergroup loans

Intergroup loans are disclosed as follows:

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

Funds received from clients

Funds received from clients include single and recurring long and short-term insurance premium income from insurance and investment policy contracts, which are included in the financial statements.

New business

In the case of long-term insurance business the value of all new policies (insurance and investment contracts) that have been issued during the financial year and have not subsequently been refunded is regarded as new business.

Payments to clients

Payments to clients include policy benefits paid in respect of long- and short-term insurance and investment policy contracts, which are included in the financial statements.

ACCOUNTING POLICIES

1. Introduction

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

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

2. Significant accounting policies

Basis of consolidation

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

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

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

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

The Group re-assesses on a continuous basis whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

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 control is acquired to the effective dates when the Group ceases to have a controlling interest, using accounting policies uniform to the Group. Intergroup transactions, balances and unrealised profits on intergroup transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates the impairment of the asset transferred.

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

A financial liability is recognised, and classified as at fair value through profit or loss, for the fair value of external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS. Changes in the fair value of the external investors' liability are recognised in the statement of comprehensive income. In all other instances, the interests of external investors in consolidated funds are not financial liabilities and are recognised as minority 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 cell captive arrangements are arrangements where the risks that are being insured relate to the cell shareholder's own operations or operations within the cell shareholder's group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are a single contract there is no significant risk transfer and such cell captive facilities are accounted for as investment contracts.
- Third party cell captive arrangements are arrangements where the cell shareholder provides its own client base with the opportunity to purchase branded insurance products. The insurance 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 shareholder remain responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell shareholder as the cell shareholder remains responsible for the solvency of the cell captive arrangement.

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

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

Equipment

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

Owner-occupied property

Owner-occupied property is property held for use in the supply of services or for administration purposes. These properties are valued at carrying amount less depreciation and provisions for impairment in value, where appropriate. The carrying amount is based on the cost of properties classified as owner-occupied on date of acquisition and the fair value at date of reclassification in instances where properties are reclassified from investment properties to owner-occupied properties. Depreciation is provided for on a straight-line basis by taking into account the residual value and estimated useful life of the property. The residual values, estimated useful lives of the owner-occupied properties and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. Owner-occupied property is tested bi-annually for 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 held on a Group level and the businesses are combined for purposes of determining the recoverable amount of the goodwill.

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 depreciated 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. Depreciation 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 tested for impairment on a bi-annual basis and written down for impairment where this is considered necessary.

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

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

Deferred acquisition costs

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

Long-term reinsurance contracts

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

Financial instruments

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

Recognition and derecognition

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

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

Classification

Financial instruments are classified into the following categories:

- Financial assets: At fair value through profit or loss
 Loans and receivables
- Financial liabilities: At fair value through profit or loss
 Other financial liabilities

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

as well as financial instruments designated as at fair value through profit or loss. All non-trading financial instruments are designated as at fair value through profit or loss apart from:

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

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

Initial measurement

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

Subsequent measurement and impairment

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

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

The carrying values of all loans and receivables are reviewed for 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, 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 valuers, less the cumulative straight-line rental adjustment (refer to the accounting policy for investment income). The valuers have appropriate qualifications and extensive experience in property valuations. Fair value is determined by discounting expected future cash flows at appropriate market interest rates. Valuations are carried out monthly. Changes in the fair value of investment properties are recognised in the statement of comprehensive income as investment surpluses.

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

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

Associates

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

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

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

Joint ventures

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

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

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

Other investments

Other investments comprise:

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

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

The following bases are used to determine fair value, for those investments that are classified as at fair value through profit or loss:

- Listed shares and units in collective investment schemes are valued at the stock exchange and net asset value prices respectively;
- The value of unlisted shares is determined by the directors using appropriate valuation bases;
- Listed bonds are valued at the stock exchange prices;
- Unlisted interest-bearing investments are valued by discounting expected future cash flows at appropriate market interest rates; and
- Listed derivative instruments are valued at the South African Futures Exchange prices and the value of unlisted derivatives is determined by the directors using generally accepted valuation models.

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

Non-current assets held for sale

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

Cash, deposits and similar securities

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

Short-term 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

Short-term 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.

Short-term insurance technical assets

The benefits to which the Group is entitled under its short-term reinsurance contracts are recognised as short-term 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 short-term insurance technical assets for impairment on a bi-annual basis. If there is objective evidence that an asset is impaired, the Group reduces the carrying amount of the asset to its recoverable amount and recognises the impairment loss in the statement of comprehensive income.

Salvage and subrogation reimbursements

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

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

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

Trade and other receivables

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

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

Other financial liabilities

Other financial liabilities include:

- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets measured at amortised cost;
- Other term finance liabilities measured at stock exchange prices or amortised cost as applicable;
- Insurance contract liabilities are measured according to the bases disclosed in the section on Policy Liabilities and Profit Entitlement;
- 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).

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 term finance expense.

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

Non-distributable reserve

The reserve comprises the pre-acquisition reserve arising upon the demutualisation of Sanlam Life Insurance Limited and the regulatory non-distributable reserves of the Group's Botswana 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 and consolidated funds, which are valued at net asset value plus goodwill; and
- Investments in associates and joint ventures, which are recognised on an equity-accounted basis.

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

Financial services income

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

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

Fees for investment management services

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

Fee income – long-term policy contracts

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

Short-term insurance premiums

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

Consulting fees earned

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

Investment return

Investment income

Investment income includes interest, rental 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.

In respect of the company financial statements, there is no allocation of dividends received from pre-acquisition reserves to cost. We consider impairment 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.

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 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 short-term insurance risks when it is anticipated that unearned premiums will be insufficient to cover future claims.

Income from reinsurance policies are 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 short-term 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 short-term 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 based on currently enacted tax legislation.

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 working capital 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.

The Group's contributions to the defined contribution and defined benefit funds are charged to the statement of comprehensive income in the year in which they are incurred. A valuation in accordance with IAS 19 *Employee Benefits – Amendment regarding removal of corridor method and other comprehensive income treatment* is performed on the statement of financial position date. For the purpose of calculating pensions, medical contributions are deemed to be a part of pensionable salary. Retirement fund contributions are made on the pensionable salary. Therefore, pensioners fund post-retirement medical contributions themselves from their increased pensions. The Group has provided in full for its medical contribution commitments in respect of pensioners and disabled members who are not covered under the current scheme.

Defined-benefit plans

The schemes are valued using the valuation basis for past-service cost. Any deficits advised by the actuaries are funded either immediately or through increased contributions to ensure the ongoing soundness of the schemes. Contributions are expensed during the year in which they are funded. The net surplus or deficit in the benefit obligation is the difference between the present value of the funded obligation and the fair value of plan assets. The Group recognises the estimated liability using the projected unit credit method. The present value of the overfunded portion of these schemes is recognised as an asset to the extent that there are material benefits available in the form of refunds and reductions in contributions. The amount of actuarial gains and losses is recognised in other comprehensive income.

Defined-contribution plans

Group contributions to the pension and provident funds are based on a percentage of the payroll and are charged against income as incurred.

Medical aid benefits

Group contributions to medical aid funds are charged to the statement of comprehensive income in the year in which they are incurred.

Post-retirement medical aid benefits

The present value of the post-retirement medical aid obligation is actuarially determined annually and any deficit or surplus is immediately recognised in the statement of comprehensive income. The Group recognises the estimated liability using the projected unit credit method. The Group has no significant exposure to any other post-retirement benefit obligation.

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 2013:

Deferred Share Plan (DSP)

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

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

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

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

The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, 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 occurs on pre-determined dates subject to certain performance targets being met.

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

A portion of the restricted shares awarded requires the executive to remain employed within the Sanlam Group until the vesting date and maintain the agreed individual performance hurdles. This portion varies between 0% and 50% of the award and is dependent upon the executive's role. The remaining portion of the restricted shares awarded is subject to a business

performance condition. The business performance condition for awards granted to date is that the Sanlam Group's adjusted RoGEV per share exceeds the Sanlam Group's cost of capital.

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

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

The fair value of the equity investments granted on the date of grant is recognised in the statement of comprehensive income on a straight-line basis over the vesting period, with a corresponding increase in equity.

Dividends

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

Policy liabilities and profit entitlement

Introduction

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

The valuation bases and methodology, which comply with South African actuarial guidelines and requires minimum liabilities to be held based on a prospective calculation of policy liabilities, serves as a liability adequacy test. No adjustment is required to the value of the liabilities at 31 December 2013 as a result of the aforementioned adequacy test.

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

The methodology has been applied for purposes of the Group financial statements and the changes to determine the prudential regulatory results in terms of the requirements of the Long-term Insurance Act of 1998 as amended (LTIA) are presented at the end of this section.

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

Classification of contracts

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

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

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

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

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

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

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

Insurance contracts and investment contracts with DPF

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

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

The value of policy liabilities at 31 December 2013 exceeds the minimum requirements in terms of the LTIA, SAP 104 and APN 110.

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

Best estimate of future experience

The best estimate of future experience is determined as follows:

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

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

Refer to note 8 on page 96 for investment return assumptions per asset class.

- Unit expenses are based on the 2013 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.

Unrecouped expenses

The timing of fees recovered from some individual life policies do not correspond to the timing of the expenses incurred in respect of the policies. For certain of these policies an unrecouped expense account is created and included in the valuation of the policy liabilities. The unrecouped expense account is increased with expenses incurred and reduced by an allocation of policy charges. Policy charges are designed to ensure that on average the unrecouped expense account is redeemed over the lifetime of the related policies. Unrecouped expenses are annually assessed for impairment and are derecognised when the related contracts are settled or disposed of.

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 less any un-recouped expenses. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

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

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

Group stable bonus business

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

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

Participating annuity business

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

Non-participating annuity business

Non-participating 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 6% 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 less than 1% on average or by not allowing policies with negative reserves.

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

Provision for HIV/Aids and other pandemics

A specific provision for HIV/Aids-related claims is maintained and included as follows:

- Within 'Other non-participating business' (refer above) in respect of Sanlam Life; and
- Within the related prospective reserves in respect of Sanlam Developing Markets and Channel Life Limited.

A prospective calculation according to the relevant guidelines is performed for Sanlam Life's non-participating individual policies and for those with a small savings element. The provision for Sanlam Life's other individual policies (30% of Sanlam Life's total HIV/Aids provision for individual policies) is built up by increasing the opening provision by the HIV/Aids risk premiums and investment returns on the underlying assets. It is then reduced by claims attributed to HIV/Aids and further limited to a maximum of the prospective calculation without allowance for future increases in HIV/Aids risk premiums. This retrospectively built-up provision is higher than a prospective calculation done according to the relevant guidelines allowing for possible increases in future HIV/Aids risk premiums. This difference can be regarded as a discretionary margin. It is the intention to re-rate premiums as experience changes.

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

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

Provision for minimum investment returns guarantees

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

Working capital

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

Reinsurance

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

Investment contracts (other than with DPF)

Contracts with investment management services

The liabilities for individual and group contracts are set equal to the retrospectively accumulated fair value of the underlying assets. No deduction is made for unrecouped expenses. The profits or losses that accrue to shareholders are equal to fees received during the period concerned plus the movement in the Deferred Acquisition Cost 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 market-related interest rates. All profits or losses accrue to the shareholders when incurred.

Guaranteed plans

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

Sanlam Life Insurance Limited Group
Statement of financial position
at 31 December 2013

	Note	Group			Company		
		2013	2012	Restated	2013	2012	Restated
				As at 01-Jan-12			As at 01-Jan-12
	R million	R million	R million	R million	R million	R million	
ASSETS							
Equipment	1	563	424	462	237	173	209
Owner-occupied properties	2	649	642	586	492	480	424
Goodwill	3	1 516	1 408	1 443	753	753	753
Other intangible assets		111	62	47	-	-	-
Value of business acquired	4	747	838	850	-	-	-
Deferred acquisition costs	5	2 772	2 541	2 269	2 361	2 236	2 045
Long-term reinsurance assets	6	723	679	608	532	512	454
Investments	7	446 445	380 552	327 970	396 778	353 377	307 654
Properties	7.1	6 692	8 404	7 824	5 491	7 392	7 092
Fixed properties		6 450	8 037	7 342	5 249	7 025	6 610
Straight-line rental adjustment		242	367	482	242	367	482
Equity-accounted investments	7.2	9 290	4 963	2 364	-	-	-
Equities and similar securities	7.3	156 801	129 594	107 289	70 024	62 699	54 727
Investment in subsidiaries, joint ventures and associates	7.4	-	-	-	68 360	65 460	56 977
Interest bearing investments	7.5	126 578	118 642	108 300	85 425	80 816	75 560
Structured transactions	7.5	11 940	14 859	13 919	8 698	10 559	9 562
Investment funds	7.5	118 491	91 667	75 410	150 796	119 704	98 163
Cash, deposits and similar securities	7.5	16 653	12 423	12 864	7 984	6 747	5 573
Deferred tax	8	226	274	448	-	-	110
Non-current assets held for sale	37	415	-	1 390	-	-	1 390
Short-term insurance technical assets	9	2 716	2 096	1 831	-	-	-
Working capital assets		45 315	54 758	41 922	7 178	7 158	7 182
Trade and other receivables	10	31 733	41 872	31 476	6 750	6 638	6 824
Cash, deposits and similar securities		13 582	12 886	10 446	428	520	358
Total assets		502 198	444 274	379 826	408 331	364 689	320 221
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital and premium	11	5 000	5 000	5 000	5 000	5 000	5 000
Treasury shares		(32)	(74)	(131)	-	-	-
Other reserves	12	5 904	5 603	5 614	5 429	5 429	5 429
Retained earnings		28 847	24 813	20 641	48 931	43 830	33 682
Shareholders' fund		39 719	35 342	31 124	59 360	54 259	44 111
Non-controlling interest	14	3 569	2 901	2 965	-	-	-
Total equity		43 288	38 243	34 089	59 360	54 259	44 111
Long-term policy liabilities							
Insurance contracts	15	153 994	144 782	132 460	135 333	129 601	119 876
Investment contracts		192 342	159 276	129 459	166 363	133 857	108 850
Term finance	16	3 501	3 799	3 995	2 071	2 141	2 174
Margin business		300	500	500	-	-	-
Other interest-bearing liabilities		3 201	3 299	3 495	2 071	2 141	2 174
Derivative liabilities		1 387	610	213	1 091	610	213
External investors in consolidated funds		56 299	39 280	31 587	-	-	-
Cell owners interest		814	688	603	-	-	-
Deferred tax	8	2 001	1 256	838	1 613	927	695
Short-term insurance technical provisions	9	11 032	9 877	8 682	-	-	-
Loans from subsidiaries	7.4	-	-	-	29 530	32 339	31 659
Working capital liabilities		37 540	46 463	37 900	12 970	10 955	12 643
Trade and other payables	17	35 389	43 871	35 916	11 091	8 551	10 811
Provisions	18	162	300	308	115	250	247
Taxation		1 989	2 292	1 676	1 764	2 154	1 585
Total equity and liabilities		502 198	444 274	379 826	408 331	364 689	320 221

Sanlam Life Insurance Limited Group
Statement of comprehensive income
for the year ended 31 December 2013

	Note	Group		Company	
		2013 R million	Restated 2012 R million	2013 R million	2012 R million
Net income		95 682	85 949	64 288	62 117
Financial services income	19	41 741	37 601	12 266	11 001
Reinsurance premiums paid	20	(4 947)	(4 596)	(948)	(689)
Reinsurance commission received	21	675	583	43	37
Investment income	22	18 950	18 628	13 875	14 432
Investment surpluses	22	45 060	38 470	39 052	37 336
Finance cost - margin business	26	(22)	(10)	-	-
Change in fair value of external investors liability		(5 775)	(4 727)	-	-
Net insurance and investment contract benefits and claims		(67 905)	(60 537)	(47 241)	(42 041)
Long-term insurance contract benefits	23	(26 150)	(27 693)	(20 735)	(23 432)
Long-term investment contract benefits	23	(30 960)	(22 937)	(27 162)	(19 140)
Short-term insurance claims		(13 862)	(12 185)	-	-
Reinsurance claims received	21	3 067	2 278	656	531
Expenses		(15 523)	(14 154)	(5 295)	(4 897)
Sales remuneration		(5 700)	(5 282)	(1 339)	(1 261)
Administration costs	24	(9 823)	(8 872)	(3 956)	(3 636)
Impairments	39	(31)	(84)	-	-
Amortisation of intangibles		(133)	(99)	-	-
Net operating result		12 090	11 075	11 752	15 179
Equity-accounted earnings	25	1 125	563	-	-
Finance cost - other	26	(485)	(435)	(187)	(191)
Profit before tax		12 730	11 203	11 565	14 988
Taxation	27	(3 111)	(3 317)	(1 964)	(2 040)
Shareholders' fund		(2 118)	(2 193)	(1 177)	(1 100)
Policyholders' fund		(993)	(1 124)	(787)	(940)
Profit for the year		9 619	7 886	9 601	12 948
Other comprehensive income: to be recycled through profit or loss in subsequent periods					
Movement in foreign currency translation reserve		756	7	-	-
Comprehensive income for the year		10 375	7 893	9 601	12 948
Allocation of comprehensive income:					
Profit for the year		9 619	7 886	9 601	12 948
Shareholders' fund		8 633	7 108	9 601	12 948
Non-controlling interest		986	778	-	-
Comprehensive income for the year		10 375	7 893	9 601	12 948
Shareholders' fund		9 172	7 096	9 601	12 948
Non-controlling interest		1 203	797	-	-

Sanlam Life Insurance Limited Group
Statement of changes in equity
for the year ended 31 December 2013

Group											
R million	Share capital	Share premium	Treasury shares	Non-distributable reserve	Foreign currency translation reserve	Retained earnings	Subtotal: equity holders	Consolidation reserve	Total: equity holders	Non-controlling interest	Total equity
Balance at 1 January 2012	1	4 999	(131)	5 806	(127)	20 641	31 189	(65)	31 124	2 965	34 089
Comprehensive income	-	-	-	-	(12)	7 108	7 096	-	7 096	797	7 893
Profit for the year	-	-	-	-	-	7 108	7 108	-	7 108	778	7 886
Other comprehensive income: movement in foreign currency translation reserve	-	-	-	-	(12)	-	(12)	-	(12)	19	7
Net (acquisition)/disposal of treasury shares	-	-	57	-	-	(64)	(7)	(59)	(66)	2	(64)
Share-based payments	-	-	-	-	-	32	32	-	32	22	54
Transfer to non-distributable reserve	-	-	-	66	-	(66)	-	-	-	-	-
Transfer (from)/to consolidation reserve	-	-	-	-	-	6	6	(6)	-	-	-
Dividends paid ⁽¹⁾	-	-	-	-	-	(2 800)	(2 800)	-	(2 800)	(839)	(3 639)
Acquisitions, disposals and other movements in interests	-	-	-	-	-	(44)	(44)	-	(44)	(46)	(90)
Balance at 31 December 2012	1	4 999	(74)	5 872	(139)	24 813	35 472	(130)	35 342	2 901	38 243
Comprehensive income	-	-	-	-	539	8 633	9 172	-	9 172	1 203	10 375
Profit for the year	-	-	-	-	-	8 633	8 633	-	8 633	986	9 619
Other comprehensive income: movement in foreign currency translation reserve	-	-	-	-	539	-	539	-	539	217	756
Net (acquisition)/disposal of treasury shares	-	-	42	-	-	(39)	3	10	13	11	24
Share-based payments	-	-	-	-	-	68	68	-	68	46	114
Transfer to non-distributable reserve	-	-	-	59	-	(59)	-	-	-	-	-
Transfer (from)/to consolidation reserve	-	-	-	-	-	(45)	(45)	45	-	-	-
Dividends paid ⁽¹⁾	-	-	-	-	-	(4 500)	(4 500)	-	(4 500)	(497)	(4 997)
Acquisitions, disposals and other movements in interests	-	-	-	-	-	(24)	(24)	(352)	(376)	(95)	(471)
Balance at 31 December 2013	1	4 999	(32)	5 931	400	28 847	40 146	(427)	39 719	3 569	43 288

(1) Dividend of R90 per share declared and paid on 31 March 2013 (2012: R56 per share) in respect of the 2012 financial year.

Company

R million	Share capital	Share premium	Non-distributable reserve	Retained earnings	Subtotal: equity holders	Consolidation reserve	Total: equity holders	Non-controlling interest	Total equity
Balance at 1 January 2012	1	4 999	5 429	33 682	44 111	-	44 111	-	44 111
Total comprehensive income - profit for the year	-	-	-	12 948	12 948	-	12 948	-	12 948
Dividends paid ⁽¹⁾	-	-	-	(2 800)	(2 800)	-	(2 800)	-	(2 800)
Balance at 31 December 2012	1	4 999	5 429	43 830	54 259	-	54 259	-	54 259
Total comprehensive income - profit for the year	-	-	-	9 601	9 601	-	9 601	-	9 601
Dividends paid ⁽¹⁾	-	-	-	(4 500)	(4 500)	-	(4 500)	-	(4 500)
Balance at 31 December 2013	1	4 999	5 429	48 931	59 360	-	59 360	-	59 360

(1) Dividend of R90 per share declared and paid on 31 March 2013 (2012: R56 per share) in respect of the 2012 financial year.

Sanlam Life Insurance Limited Group
Cash flow statement
for the year ended 31 December 2013

	Note	Group		Company	
		2013 R million	Restated 2012 R million	2013 R million	Restated 2012 R million
Cash flow from operating activities		3 055	6 476	6 659	6 115
Cash (utilised)/generated in operations	35.1	(6 413)	(4 605)	350	(3 004)
Interest and preference share dividends received		11 030	11 014	6 888	6 884
Interest paid		(507)	(445)	(187)	(191)
Dividends received		6 556	6 263	5 776	6 355
Dividends paid		(4 994)	(3 639)	(4 500)	(2 800)
Taxation paid		(2 617)	(2 112)	(1 668)	(1 129)
Cash flow from investment activities		2 031	(4 112)	(5 506)	(4 779)
Net disposal/(acquisition) of investments		4 683	(2 126)	(5 506)	(4 779)
Acquisition of subsidiaries, associates and joint ventures	35.2	(2 687)	(2 443)	-	-
Disposal of subsidiaries, associates and joint ventures	35.3	35	457	-	-
Cash flow from financing activities		(160)	(365)	(8)	-
Movement in treasury shares		24	(64)	-	-
Term finance raised		1 191	-	1 165	-
Term finance repaid		(1 375)	(301)	(1 173)	-
Net increase in cash and cash equivalents		4 926	1 999	1 145	1 336
Cash, deposits and similar securities at beginning of year		25 309	23 310	7 267	5 931
Cash, deposits and similar securities at end of year	35.4	30 235	25 309	8 412	7 267

Notes to the Group financial statements
for the year ended 31 December 2013

	Group		Company	
	2013 R million	2012 R million	2013 R million	2012 R million
1. EQUIPMENT				
Computer equipment	363	252	150	98
Cost	1 057	866	478	395
Accumulated depreciation and impairment	(694)	(614)	(328)	(297)
Furniture, equipment, vehicles and other	200	172	87	75
Cost	598	529	253	235
Accumulated depreciation and impairment	(398)	(357)	(166)	(160)
Equipment	563	424	237	173
Reconciliation of carrying amount				
Balance at beginning of year	424	462	173	209
Additions and expenditure capitalised	335	214	154	65
Disposals	(14)	(51)	(8)	(18)
Disposal of subsidiaries	-	(1)	-	-
Depreciation and impairments	(191)	(200)	(82)	(83)
Foreign currency translation differences	9	-	-	-
Balance at end of year	563	424	237	173
2. OWNER-OCCUPIED PROPERTIES				
Balance at beginning of year	642	586	480	424
Net additions and expenditure capitalised	7	56	12	56
Balance at end of year	649	642	492	480
3. GOODWILL				
Balance at beginning of year	1 408	1 443	753	753
Gross carrying amount	1 452	1 452	753	753
Accumulated impairment	(44)	(9)	-	-
Additions during the year	109	-	-	-
Impairments	(5)	(35)	-	-
Foreign currency translation differences	4	-	-	-
Balance at end of year	1 516	1 408	753	753
Gross carrying amount	1 565	1 452	753	753
Accumulated impairment	(49)	(44)	-	-

Allocation of goodwill

Life insurance	148	144
Sanlam Developing Markets	36	32
Channel Life	96	96
Other	16	16
Other Sanlam businesses	1 368	1 264
Sanlam Investment Management	32	32
Santam	1 201	1 114
Other	135	118
Balance at end of year	1 516	1 408

The additions to goodwill during 2013 arose primarily from the acquisition of Travel Insurance Consultants (TIC) and Centriq Holdings by Santam and the acquisitions by Anglo African Finance (Pty) Ltd.

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 embedded value of life insurance businesses and the fair value of other businesses, as applicable, being the value in use, less the consolidated net asset value of the respective businesses. R1 201 million of the Sanlam Life Group goodwill relates to Santam. The fair value of the investment in Santam of R12,6 billion at 31 December 2013 (based on its listed price) exceeded its net asset value, including goodwill, by approximately R8,7 billion indicating no required impairment of the goodwill allocated to Santam. Refer to pages 49 and 95 to 97 for valuation assumptions used.

4. VALUE OF BUSINESS ACQUIRED

Balance at beginning of year	838	850	-	-
Additions during the year	13	84	-	-
Disposals during the year	-	(9)	-	-
Amortisation	(104)	(81)	-	-
Impairments	-	(6)	-	-
Balance at end of year	747	838	-	-
Gross carrying amount	1 277	1 264	-	-
Accumulated amortisation and impairment	(530)	(426)	-	-

	Group		Company	
	2013	2012	2013	2012
	R million	R million	R million	R million
4. VALUE OF BUSINESS ACQUIRED (continued)				
Allocation of value of business acquired				
Sanlam Developing Markets	659	701	-	-
Other	88	137	-	-
Balance at end of year	747	838	-	-

The additions to value of business acquired relate primarily to the acquisition of Regent and the Centriq Holdings Book by Santam.

Amortisation and impairment of value of business acquired

Value of business acquired is amortised to the income statement on a straight-line basis over the expected life of the intangible asset, currently 25 years for Sanlam Developing Markets and 15 years for Channel Life, being the largest components included in the balance. 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 embedded value or, as applicable, fair value of the business less the consolidated net asset value of the respective businesses.

5. DEFERRED ACQUISITION COSTS				
Balance at beginning of year	2 541	2 269	2 236	2 045
Credited to statement of comprehensive income	231	272	125	191
Acquisition costs capitalised	554	482	392	369
Expensed for the year	(323)	(210)	(267)	(178)
Balance at end of year	2 772	2 541	2 361	2 236
6. LONG-TERM REINSURANCE ASSETS				
Balance at beginning of year	679	608	512	454
Movement in reinsurers' share of insurance liabilities	44	71	20	58
Balance at end of year	723	679	532	512
Maturity analysis of long-term reinsurance assets				
Due within one year	14	17	3	3
Due within two to five years	153	121	60	57
Due after more than five years	556	541	469	452
Total long-term reinsurance assets	723	679	532	512

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	2 528	2 635	2 510	2 619
Retail buildings	2 511	4 188	2 028	3 776
Industrial buildings	567	610	567	610
Undeveloped land	28	43	-	-
International properties (situated outside South Africa)	818	714	-	-
Other	240	214	386	387
Total properties	6 692	8 404	5 491	7 392
Less: straight-line rental adjustment	(242)	(367)	(242)	(367)
Total investment properties	6 450	8 037	5 249	7 025
Reconciliation of carrying amount of properties				
Fixed properties - balance at beginning of year	8 404	7 997	7 392	7 092
Additions	132	91	93	31
Disposals	(2 221)	(384)	(2 216)	(357)
Foreign currency translation differences	59	2	-	-
Investment surpluses	318	698	222	626
Fixed properties - balance at end of year	6 692	8 404	5 491	7 392
Reconciliation of straight-line rental adjustment				
Straight-line rental adjustment - balance at beginning of year	367	482	367	482
Disposals	(28)	(24)	(28)	(24)
Movement for the year included in the statement of comprehensive income	(97)	(91)	(97)	(91)
Straight-line rental adjustment - balance at end of year	242	367	242	367

	Group		Company	
	2013	2012	2013	2012
	R million	R million	R million	R million
7. INVESTMENTS (continued)				
7.1 Properties				
Contractual future minimum lease payments receivable under non-cancellable operating leases:				
Within one year	447	738	447	738
Within two to five years	875	1 243	875	1 243
After more than five years	324	460	324	460
Future minimum lease payments	1 646	2 441	1 646	2 441

	Group	
	2013	2012
	R million	R million
7.2 Equity-accounted investments		
Investments in associated companies	8 748	4 496
Shriram Capital	3 191	2 604
Shriram Transport Finance Company	1 406	-
Letshego	1 376	1 122
Pacific and Orient	968	-
Capricorn Investment Holdings	780	-
Other associated companies	1 027	770
Investments in joint ventures	542	467
Sanlam Personal Loans	542	467
Total equity-accounted investments	9 290	4 963

Group

Details of material associated companies

R million	Shriram Capital ⁽¹⁾		Shriram Transport Finance Company ⁽¹⁾	
	2013	2012	2013	2012
Carrying value of interest - equity method	3 191	2 604	1 406	-
Fair value of interest - based on internal valuation	3 078	2 560	1 297	-
Fair value of interest - based on quoted price	3 102	2 655	1 284	-
Interest in issued share capital - Shareholders fund ⁽²⁾	26%	26%	5%	-
Summarised financial information:				
Non-current assets	18 638	13 888	42 817	-
Current assets	3 764	5 209	48 823	-
Non-current liabilities	(2 576)	(2 787)	(43 860)	-
Current liabilities	(6 843)	(5 838)	(34 084)	-
Non-controlling interest	(4 092)	(3 302)	-	-
Shareholders' equity	8 891	7 170	13 696	-
<i>Calculated carrying value</i>	2 947	2 377	681	-
<i>Goodwill recognised in the carrying value of associate</i>	244	227	725	-
	3 191	2 604	1 406	-
Dividends received	-	-	-	-
Revenue	4 096	-	13 322	-
Post-tax profit / (loss) from continuing operations	1 413	-	2 440	-
Total comprehensive income	1 413	-	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. No earnings have been accounted for the period 1 October 2012 to 31 December 2012 due to a three month lag in the Shriram Capital results as allowed in terms of IFRS due to Shriram Capital having a 31 March year end. Earnings for 2013 have been accounted for the period 1 October 2012 to 30 September 2013. The Group also holds a 4,97% direct interest in Shriram Transport Finance Company (associated company of Shriram Capital) acquired between February 2013 and August 2013.

⁽²⁾ The interest relates to the holding Shriram Financial Ventures (Chennai) Limited in Shriram Capital. The Group has a 33,15% interest in Shriram Financial Ventures (Chennai) Limited.

7. INVESTMENTS (continued)

7.2 Equity-accounted investments (continued)

R million	Letshego ⁽²⁾		Pacific & Orient ⁽³⁾	
	2013	2012	2013	2012
Carrying value of interest - equity method	1 376	1 122	968	-
Fair value of interest - based on internal valuation	1 286	1 122	956	-
Fair value of interest - based on quoted prices	1 421	1 089	-	-
Interest in issued share capital - Shareholders fund	23%	25%	49%	-
Summarised financial information:				
Non-current assets	146	109	2 671	-
Current assets	5 946	3 980	291	-
Non-current liabilities	(1 505)	(828)	-	-
Current liabilities	(371)	(195)	(2 105)	-
Non-controlling interest	(113)	(90)	-	-
Shareholders' equity	4 103	2 976	857	-
<i>Calculated carrying value</i>	960	754	420	-
<i>Goodwill recognised in the carrying value of associate</i>	416	368	548	-
	1 376	1 122	968	-
Dividends received	41	34	-	-
Revenue	1 293	1 109	727	-
Post-tax profit / (loss) from continuing operations	719	601	115	-
Total comprehensive income	719	601	115	-

Capricorn Investment Holdings

R million	⁽⁴⁾	
	2013	2012
Carrying value of interest - equity method	780	-
Fair value of interest - based on internal valuation	764	-
Fair value of interest - based on quoted price	751	-
Interest in issued share capital - Shareholders fund	22%	-
Summarised financial information:		
Non-current assets	22 723	-
Current assets	4 420	-
Non-current liabilities	(4 322)	-
Current liabilities	(19 305)	-
Non-controlling interest	(1 354)	-
Shareholders' equity	2 162	-
<i>Calculated carrying value</i>	482	-
<i>Goodwill recognised in the carrying value of associate</i>	298	-
	780	-
Revenue	1 512	-
Post-tax profit / (loss) from continuing operations	375	-
Total comprehensive income	375	-

⁽²⁾ The Group has an effective 23% interest in Letshego, a listed retail credit business in Botswana.

⁽³⁾ The Group acquired a 49% interest in Pacific & Orient Insurance Co Berhad, a niche short-term insurance business in Malaysia with an effective date of 1 May 2013. The earnings recognised in the Group's results are for the period 1 May 2013 to 31 December 2013.

⁽⁴⁾ The Group acquired an effective 22% interest in Capricorn Investment Holdings, an investment company in Namibia with an effective date of 1 July 2013. The earnings recognised in the Group's results are for the period 1 July 2013 to 31 December 2013.

Details of immaterial associated companies:

R million	2013	2012
Post-tax profit / (loss) from continuing operations	382	232
Total comprehensive income	382	232

7. INVESTMENTS (continued)

7.2 Equity-accounted investments (continued)

Details of material joint ventures

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

R million	Sanlam Personal Loans ⁽¹⁾	
	2013	2012
Carrying value of interest - equity method	542	467
Fair value of interest - based on internal valuation	967	816
Effective interest in issued share capital	70%	70%
Class A	70%	70%
Class B	0%	70%
Summarised financial information:		
Non-current assets	2 629	2 225
Current assets	892	770
Cash and cash equivalents	39	46
Other current assets	853	724
Non-current liabilities		
Long-term borrowings	(1 549)	(1 405)
Current liabilities	(1 269)	(1 093)
Trade and other payables	(28)	(30)
Short-term borrowings	(1 227)	(1 063)
Taxation payable	(14)	-
Non-controlling interest	2	1
Net asset attributable to class B shares	(17)	-
Total equity	688	498
Calculated carry value	482	351
Shareholders' loan	60	116
	542	467
Revenue	129	117
Interest income	739	607
Interest expense	(220)	(166)
Taxation	(86)	(88)
Post-tax profit / (loss) from continuing operations	187	212
Total comprehensive income	187	212

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

	Group		Company	
	2013	2012	2013	2012
	R million	R million	R million	R million
7.3 Equities and similar securities comprise of:				
Listed on the JSE - at market value	72 330	65 656	68 530	60 321
Unlisted - at directors' valuation	1 183	1 657	939	929
Offshore equity investments	3 733	4 576	555	1 449
Listed - at market value	3 064	3 546	555	1 449
Unlisted - at directors' valuation	669	1 030	-	-
Equities held by consolidated investment funds	79 555	57 705	-	-
Total equities and similar securities	156 801	129 594	70 024	62 699

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

7. INVESTMENTS (continued)

7.3 Equities and similar securities (continued)

	Group		Company	
	2013	2012	2013	2012
	R million	R million	R million	R million
Shares held in ultimate holding company - Sanlam Ltd				
Shareholders				
Number of shares (thousand)	117 507	118 350	117 500	118 345
Fair value (R million)	6 256	5 298	6 256	5 298
Policyholders				
Number of shares (thousand)	21 544	20 937	10 996	12 236
Fair value (R million)	1 147	937	585	568

	Company	
	2013	2012
	R million	R million
7.4 Investments in subsidiaries, joint ventures and associates		
Investments in subsidiaries	66 108	64 644
Equity holding	65 009	61 200
Loans to subsidiaries	1 099	3 444
Investments in joint ventures	967	816
Sanlam Personal Loans	967	816
Investments in associates	1 285	-
Shriram Transport Finance Company Ltd	1 284	-
IFA-net Independent Distribution Services (Pty) Ltd	1	-
Total investments in subsidiaries, joint ventures and associates	68 360	65 460
Loans from subsidiaries	(29 530)	(32 339)

Refer to page 88 for details of principal subsidiaries.

Valuation methodology for non-listed strategic investments held

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

	Change in assumption	
	2013	2012
Ratio of price to asset under management (P/AuM)	0,1	0,1
Risk discount rate (RDR)	1,0	1,0
Perpetuity growth rate (PGR)	1,0	1,0

	Weighted average assumption %	Base value R million	Decrease in assumption R million	Increase in assumption R million
Ratio of price to assets under management	P/AuM = 0,96% (2012: 0,94%)	5 242	4 695	5 789
Discounted cash flows	RDR = 17,1% (2012: 17,6%)	8 831	9 902	7 985
	PGR = 2,5 - 5% (2012: 2,5 - 5%)	8 831	8 427	9 353

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

Group	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost ⁽¹⁾	Total
R million				
31 December 2013				
Interest bearing investments	126 484	-	94	126 578
Government interest bearing investments	59 092	-	-	59 092
Corporate interest bearing investments	63 684	-	3	63 687
Other interest bearing investments	3 708	-	91	3 799
Structured transactions	11 351	589	-	11 940
Investment funds	118 491	-	-	118 491
Cash, deposits and similar securities	16 653	-	-	16 653
	272 979	589	94	273 662

7. INVESTMENTS (continued)

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

Group

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost ⁽¹⁾	Total
31 December 2012				
Interest bearing investments	118 440	-	202	118 642
Government interest bearing investments	50 260	-	-	50 260
Corporate interest bearing investments	65 778	-	90	65 868
Other interest bearing investments	2 402	-	112	2 514
Structured transactions	14 365	494	-	14 859
Investment funds	91 667	-	-	91 667
Cash, deposits and similar securities	12 423	-	-	12 423
	236 895	494	202	237 591

⁽¹⁾ The estimated fair value of investments valued at amortised cost amounts to R94 million (2012: R202 million) and the valuation is based on discounted cash flows.

Company

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost ⁽¹⁾	Total
31 December 2013				
Interest bearing investments	85 201	-	224	85 425
Government interest bearing investments	45 848	-	-	45 848
Corporate interest bearing investments	36 325	-	-	36 325
Other interest bearing investments	3 028	-	224	3 252
Structured transactions	8 109	589	-	8 698
Investment funds	150 796	-	-	150 796
Cash, deposits and similar securities	7 984	-	-	7 984
	252 090	589	224	252 903

31 December 2012				
Interest bearing investments	80 570	-	246	80 816
Government interest bearing investments	40 440	-	-	40 440
Corporate interest bearing investments	38 299	-	-	38 299
Other interest bearing investments	1 831	-	246	2 077
Structured transactions	10 065	494	-	10 559
Investment funds	119 704	-	-	119 704
Cash, deposits and similar securities	6 747	-	-	6 747
	217 086	494	246	217 826

⁽¹⁾ The estimated fair value of investments valued at amortised cost amounts to R224 million (2012: R246 million) and the valuation is based on discounted cash flows.

Maturity analysis of:

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

Group

R million	<1 year	1-5 years	>5 years	Open ended	Total
31 December 2013					
Interest bearing investments	9 562	31 825	60 040	25 151	126 578
Government interest bearing investments	279	4 175	47 829	6 809	59 092
Corporate interest bearing investments	8 902	25 755	10 690	18 340	63 687
Other interest bearing investments	381	1 895	1 521	2	3 799
Structured transactions	-	-	-	11 940	11 940
Investment funds	-	-	-	118 491	118 491
Cash, deposits and similar securities	10 204	2 522	175	3 752	16 653
Total investments other than equities and similar securities, equity-accounted investments and properties	19 766	34 347	60 215	159 334	273 662
31 December 2012					
Interest bearing investments	10 526	34 714	51 190	22 212	118 642
Government interest bearing investments	209	4 273	41 120	4 658	50 260
Corporate interest bearing investments	10 230	29 590	8 739	17 309	65 868
Other interest bearing investments	87	851	1 331	245	2 514
Structured transactions	-	-	-	14 859	14 859
Investment funds	-	-	-	91 667	91 667
Cash, deposits and similar securities	7 212	1 721	186	3 304	12 423
Total investments other than equities and similar securities, equity-accounted investments and properties	17 738	36 435	51 376	132 042	237 591

Structured transactions and investment funds are classified as open ended. Assets are considered open ended when they have no fixed maturity date or regularly traded to meet liquidity requirements

7. INVESTMENTS (continued)

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

Company

R million	<1 year	1-5 years	>5 years	Open ended	Total
31 December 2013					
Interest bearing investments	8 717	24 862	50 597	1 249	85 425
Government interest bearing investments	321	3 160	42 367	-	45 848
Corporate interest bearing investments	7 970	20 245	7 081	1 029	36 325
Other interest bearing investments	426	1 457	1 149	220	3 252
Structured transactions	-	-	-	8 698	8 698
Investment funds	-	-	-	150 796	150 796
Cash, deposits and similar securities	7 069	742	173	-	7 984
Total investments other than equities and similar securities, equity-accounted investments and properties	15 786	25 604	50 770	160 743	252 903

31 December 2012					
Interest bearing investments	7 626	27 855	44 268	1 067	80 816
Government interest bearing investments	109	3 136	37 195	-	40 440
Corporate interest bearing investments	7 196	24 203	6 075	825	38 299
Other interest bearing investments	321	516	998	242	2 077
Structured transactions	-	-	-	10 559	10 559
Investment funds	-	-	-	119 704	119 704
Cash, deposits and similar securities	6 483	78	186	-	6 747
Total investments other than equities and similar securities, equity-accounted investments and properties	14 109	27 933	44 454	131 330	217 826

	Group		Company	
	2013	2012	2013	2012
	R million	R million	R million	R million
Listed	98 357	65 464	64 845	33 798
Unlisted	44 874	65 601	28 564	53 765
Designated as at fair value through profit and loss	44 780	65 399	28 340	53 519
Loans and receivables at amortised cost	94	202	224	246
Structured transactions	11 940	14 859	8 698	10 559
Investment funds	118 491	91 667	150 796	119 704
Total investments other than equities and similar securities, investments in subsidiaries, equity-accounted investments and properties	273 662	237 591	252 903	217 826

7. INVESTMENTS (continued)

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

	Group		Company	
	2013 R million	2012 R million	2013 R million	2012 R million
Unlisted investments (other than equities and similar securities, equity-accounted investments and properties) designated as at fair value through profit or loss				
Maximum exposure to credit risk at the reporting date	44 874	65 601	28 564	53 765

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 2013 and 2012 was not material.

7.6 Use of valuation techniques to determine fair value

Refer to note 40 for additional disclosures.

8. DEFERRED TAX

Reconciliation of the deferred tax balances:

Group	Income Tax R million	Capital Gains Tax R million
Balance at 1 January 2012	488	(878)
Temporary differences credited/(charged) to the statement of comprehensive income	(212)	(384)
Accruals and provisions	(70)	-
Tax losses and credits	(118)	-
Net unrealised investment surpluses on shareholders' fund	8	(335)
Net unrealised investment surpluses on policyholders' fund	-	(49)
Secondary Tax on Companies	(83)	-
Other temporary differences	51	-
Acquisition of subsidiaries	-	-
Foreign currency translation differences	1	-
Disposal of subsidiaries	2	-
Balance at 31 December 2012	279	(1 262)
Temporary differences credited/(charged) to the statement of comprehensive income	(84)	(710)
Accruals and provisions	(45)	5
Tax losses and credits	(4)	-
Net unrealised investment surpluses on shareholders' fund	-	(479)
Net unrealised investment surpluses on policyholders' fund	-	(249)
Other temporary differences	(35)	13
Acquisition of subsidiaries	-	4
Foreign currency translation differences	(1)	(1)
Balance at 31 December 2013	194	(1 969)
Company		
Balance at 1 January 2012	110	(695)
Temporary differences through to the statement of comprehensive income	(110)	(232)
Tax losses and credits	(110)	-
Net unrealised investment surpluses on shareholders' fund	-	(188)
Net unrealised investment surpluses on policyholders' fund	-	(46)
Other temporary differences	-	2
Balance at 31 December 2012	-	(927)
Temporary differences through to the statement of comprehensive income	-	(686)
Net unrealised investment surpluses on shareholders' fund	-	(438)
Net unrealised investment surpluses on policyholders' fund	-	(248)
Balance at 31 December 2013	-	(1 613)
Group		
Analysis of deferred tax balances at 31 December 2013		
Accruals and provisions	130	5
Tax losses and credits	137	-
Unrealised gains/losses on shareholders' fund	(59)	(1 160)
Unrealised gains/losses on policyholders' fund	-	(830)
Other temporary differences	(14)	16
	194	(1 969)

8. DEFERRED TAX (continued)

Group	Income Tax		Capital Gains Tax	
	R million		R million	
Analysis of deferred tax balances at 31 December 2012				
Accruals and provisions		175		-
Tax losses and credits		141		-
Unrealised gain on shareholders' fund		(59)		(681)
Unrealised gain on policyholders' fund		-		(581)
Other temporary differences		22		-
		279		(1 262)
Company				
Analysis of deferred tax balances at 31 December 2013				
Net unrealised investment surpluses on shareholders' fund		-		(787)
Net unrealised investment surpluses on policyholders' fund		-		(832)
Other temporary differences		-		6
Deferred tax balances at 31 December 2013				(1 613)
Analysis of deferred tax balances at 31 December 2012				
Net unrealised investment surpluses on shareholders' fund		-		(349)
Net unrealised investment surpluses on policyholders' fund		-		(584)
Other temporary differences		-		6
Deferred tax balances at 31 December 2012				(927)
	Group		Company	
	2013	2012	2013	2012
	R million	R million	R million	R million
Total deferred tax asset recognised	226	274	-	-
Total deferred tax liability recognised	(2 001)	(1 256)	(1 613)	(927)
Total net deferred tax	(1 775)	(982)	(1 613)	(927)

9. SHORT-TERM INSURANCE TECHNICAL PROVISIONS	Group	
	2013	2012
	R million	R million
Short-term insurance technical provisions	11 032	9 877
Outstanding claims	7 119	6 336
Provision for unearned premiums	3 740	3 394
Deferred reinsurance acquisition revenue	173	147
Less: Short-term insurance technical assets	2 716	2 096
Reinsurers' share of technical provisions	1 521	1 173
Outstanding claims	823	582
Unearned premiums	372	341
Deferred acquisition cost		
Net short-term insurance technical provisions	8 316	7 781

Analysis of movement in short-term insurance technical provisions

Group	2013			2012		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Outstanding claims						
Balance at beginning of year	6 336	(1 173)	5 163	5 550	(1 069)	4 481
Cash paid for claims settled in the year	(13 144)	1 873	(11 271)	(11 427)	1 481	(9 946)
Increase in liabilities	13 927	(2 221)	11 706	12 213	(1 585)	10 628
Balance at end of year	7 119	(1 521)	5 598	6 336	(1 173)	5 163
Unearned premiums						
Balance at beginning of year	3 394	(582)	2 812	3 030	(429)	2 601
Increase in liabilities	-	-	-	-	-	-
Net increase/(release) in the period	346	(241)	105	364	(153)	211
Balance at end of year	3 740	(823)	2 917	3 394	(582)	2 812

10. TRADE AND OTHER RECEIVABLES	Group		Company	
	2013	2012	2013	2012
	R million	R million	R million	R million
Premiums receivable	4 847	4 514	2 739	2 704
Accrued investment income	2 229	1 912	1 926	1 625
Trading account	16 552	24 863	-	-
Amounts due from holding company and fellow subsidiaries	1 829	1 530	1 162	1 135
Amounts due from reinsurers	801	418	113	115
Accounts receivable	5 475	8 635	810	1 059
Total trade and other receivables	31 733	41 872	6 750	6 638

10. TRADE AND OTHER RECEIVABLES (continued)	Group		Company	
	2013	2012	2013	2012
Classification of trade and other receivables:	R million	R million	R million	R million
Held for trading at fair value	16 552	24 863	-	-
Loans and receivables at amortised cost	15 181	17 009	6 750	6 638
Total trade and other receivables	31 733	41 872	6 750	6 638

No trade and other receivables of the Company were pledged as collateral.

All trade and other receivables are receivable within one year except for the trading account of R14 551 million (2012: R24 067 million) that is open ended. 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.

11. SHARE CAPITAL AND PREMIUM	Group and Company	
	2013	2012
	R million	R million
Authorised share capital		
100 million ordinary shares of 1 cent each	1	1
Issued share capital and share premium		
50 million ordinary shares issued at:		
Nominal value of 1 cent per share	1	1
Share premium	4 999	4 999
Balance at end of year	5 000	5 000

Authorised and unissued shares

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

12. OTHER RESERVES

	Group		Company	
	2013	2012	2013	2012
	R million	R million	R million	R million
Non-distributable reserves	5 931	5 872	5 429	5 429
Foreign currency translation reserve	400	(139)	-	-
Consolidation reserve	(427)	(130)	-	-
Policyholder fund investments in consolidated subsidiaries	(427)	(130)	-	-
Total reserves other than retained earnings	5 904	5 603	5 429	5 429

The non-distributable reserve comprises of the transfer from the Sanlam Mutual capital fund on demutualisation of R5 429 million (2012: R5 429 million) for the company, and in addition, the regulatory non-distributable reserves of the Group's Botswana operations of R479 million (2012: R420 million) as well as the Group's Kenya operations of R23 million (2012: R23 million).

13. CONTINGENCY RESERVES

Contingency reserves in respect of short-term insurance business of R22 million are included in the Group's shareholders' reserves (2012: R19 million).

14. NON-CONTROLLING INTEREST	Group	
	2013	2012
	R million	R million
Santam ⁽¹⁾	1 837	1 568
Sanlam Developing Markets ⁽²⁾	1 304	1 032
Sanlam Emerging Markets	202	115
Sanlam Namibia Holdings	189	184
Other	37	2
Total minority shareholders' interest	3 569	2 901

For additional financial information for subsidiaries with significant non-controlling interest refer to page 89.

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

⁽²⁾ Relates mainly to the Group's investment in Botswana Insurance Holdings Limited.

15. LONG-TERM POLICY LIABILITIES	2013			2012		
	Total	Insurance contracts	Investment contracts	Total	Insurance contracts	Investment contracts
	R million	R million	R million	R million	R million	R million
15.1 Analysis of movement in policy liabilities						
Group						
Income	104 226	39 227	64 999	91 453	40 969	50 484
Premium income (note 15.2)	54 214	20 175	34 039	47 172	19 625	27 547
Investment return after tax (note 23)	50 012	19 052	30 960	44 281	21 344	22 937
Outflow	(63 547)	(30 985)	(32 562)	(49 148)	(28 664)	(20 484)
Policy benefits (note 15.3)	(34 101)	(15 917)	(18 184)	(30 405)	(14 596)	(15 809)
Retirement fund terminations	(6 300)	-	(6 300)	(2 474)	(5)	(2 469)
Transfer to segregated assets	(5 298)	-	(5 298)	-	-	-
Fees, risk premiums and other payments to shareholders' fund	(17 848)	(15 068)	(2 780)	(16 269)	(14 063)	(2 206)
Movement in policy loans	(38)	(14)	(24)	(174)	5	(179)
Net movement for the year	40 641	8 228	32 413	42 131	12 310	29 821
Foreign currency translation differences	1 637	984	653	8	12	(4)
Balance at beginning of the year	304 058	144 782	159 276	261 919	132 460	129 459
Balance at end of the year	346 336	153 994	192 342	304 058	144 782	159 276

15. LONG-TERM POLICY LIABILITIES (continued)	2013			2012		
	Total R million	Insurance contracts R million	Investment contracts R million	Total R million	Insurance contracts R million	Investment contracts R million
15.1 Analysis of movement in policy liabilities (continued)						
Company						
Income	82 206	27 234	54 972	73 101	30 763	42 338
Premium income (note 15.2)	38 636	10 826	27 810	34 446	11 248	23 198
Investment return after tax (note 23)	43 570	16 408	27 162	38 655	19 515	19 140
Outflow	(43 965)	(21 502)	(22 463)	(38 341)	(21 038)	(17 303)
Policy benefits (note 15.3)	(27 808)	(13 852)	(13 956)	(26 103)	(12 925)	(13 178)
Retirement fund terminations	(6 193)	-	(6 193)	(2 392)	(5)	(2 387)
Fees, risk premiums and other payments to shareholders' fund	(9 964)	(7 650)	(2 314)	(9 846)	(8 108)	(1 738)
Movement in policy loans	(3)	-	(3)	(28)	-	(28)
Net movement for the year	38 238	5 732	32 506	34 732	9 725	25 007
Balance at beginning of the year	263 458	129 601	133 857	228 726	119 876	108 850
Balance at end of the year	301 696	135 333	166 363	263 458	129 601	133 857

15.2 Analysis of premium income	Group		Company	
	2013 R million	2012 R million	2013 R million	2012 R million
Individual business	38 569	34 640	25 941	24 108
Recurring	18 586	17 167	12 068	11 543
Single	17 750	15 182	11 924	10 596
Continuations	2 233	2 291	1 949	1 969
Employee benefits business	15 645	12 532	12 695	10 338
Recurring	6 704	6 950	5 370	5 679
Single	8 941	5 582	7 325	4 659
Total premium income	54 214	47 172	38 636	34 446

15.3 Analysis of long-term policy benefits	Group		Company	
	2013 R million	2012 R million	2013 R million	2012 R million
Individual business	27 941	24 547	22 400	20 514
Maturity benefits	15 933	12 842	12 637	11 039
Surrenders	4 640	4 853	3 239	3 306
Life and term annuities	6 136	5 742	5 462	5 147
Death and disability benefits ⁽¹⁾	1 100	1 027	1 002	970
Cash bonuses ⁽¹⁾	132	83	60	52
Employee benefits business	6 160	5 858	5 408	5 589
Withdrawal benefits	2 241	2 836	1 678	2 779
Pensions	1 357	1 363	1 296	1 312
Lump-sum retirement benefits	1 181	1 085	1 063	1 013
Death and disability benefits ⁽¹⁾	1 360	474	1 360	448
Cash bonuses ⁽¹⁾	21	100	11	37
Total long-term policy benefits	34 101	30 405	27 808	26 103

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

15.4 Composition of policy liabilities	Group		Company	
	2013 R million	2012 R million	2013 R million	2012 R million
Individual business	279 403	240 814	242 557	210 636
Linked and market-related liabilities	179 060	144 006	158 058	129 079
Smoothed bonus business	53 800	50 626	50 593	47 517
Guaranteed business	7 005	8 091	1 576	1 594
Annuities - guaranteed	26 507	26 043	20 368	21 339
Annuities - participating	128	118	64	63
Non-participating risk business	10 244	9 798	9 540	9 300
Other non-participating liabilities	2 659	2 132	2 358	1 744
Employee benefits business	66 933	63 244	59 139	52 822
Linked and market-related liabilities	33 664	31 645	28 290	23 103
Smoothed bonus business	14 525	13 130	14 112	12 740
Guaranteed business	167	-	-	-
Annuities - guaranteed	6 712	6 876	5 858	6 200
Annuities - participating	6 966	6 959	6 954	6 949
Non-participating risk business	4 746	4 628	3 913	3 825
Other non-participating liabilities	153	6	12	5
Total policy liabilities	346 336	304 058	301 696	263 458

Comparative information has been restated for new product classifications and a reclassification of R7 864 million from individual to employee benefits business.

15. LONG-TERM POLICY LIABILITIES (continued)
15.5 Maturity analysis of investment policy contracts

Group					
2013: R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
Linked and market-related liabilities	2 478	20 732	52 707	93 400	169 317
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	3 276	27 469	53 113	108 484	192 342
2012: R million					
Linked and market-related liabilities	2 419	13 957	43 650	76 680	136 706
Smoothed bonus business	339	75	427	13 210	14 051
Guaranteed business	460	7 511	8	106	8 085
Annuities - guaranteed	44	88	20	-	152
Annuities - participating	-	-	-	-	-
Non-participating risk business	2	92	-	4	98
Other non-participating liabilities	-	-	-	184	184
Total investment policies	3 264	21 723	44 105	90 184	159 276
Company					
2013: R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
Linked and market-related	2 223	10 974	51 477	84 624	149 298
Smoothed bonus business	380	89	384	14 152	15 005
Guaranteed business	281	1 286	6	-	1 573
Annuities - guaranteed	42	82	14	-	138
Non-participating risk business	-	-	-	1	1
Other non-participating liabilities	-	-	-	348	348
Total investment policies	2 926	12 431	51 881	99 125	166 363
2012: R million					
Linked and market-related	1 851	8 711	42 308	65 403	118 273
Smoothed bonus business	339	75	427	12 820	13 661
Guaranteed business	365	1 216	8	-	1 589
Annuities - guaranteed	43	86	18	-	147
Non-participating risk business	-	2	-	1	3
Other non-participating liabilities	-	-	-	184	184
Total investment policies	2 598	10 090	42 761	78 408	133 857

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

15.6 Maturity analysis of insurance policy contracts

Group					
2013: R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
Linked and market-related liabilities	2 214	10 296	27 499	3 398	43 407
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	32 478	33 077
Annuities - participating	-	-	-	7 094	7 094
Non-participating risk business	156	1 068	2 683	11 079	14 986
Other non-participating liabilities	6	60	59	2 337	2 462
Total insurance policies	5 306	24 591	61 590	62 507	153 994
2012: R million					
Linked and market-related liabilities	1 992	9 011	24 807	3 136	38 946
Smoothed bonus business	2 742	11 681	30 389	4 893	49 705
Guaranteed business	-	-	-	6	6
Annuities - guaranteed	3	32	50	32 681	32 766
Annuities - participating	-	-	-	7 077	7 077
Non-participating risk business	129	1 005	2 390	10 804	14 328
Other non-participating liabilities	92	49	-	1 813	1 954
Total insurance policies	4 958	21 778	57 636	60 410	144 782
Company					
2013: R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
Linked and market-related	2 009	8 572	23 230	3 239	37 050
Smoothed bonus business	2 758	12 281	28 725	5 936	49 700
Guaranteed business	-	-	-	3	3
Annuities - guaranteed	-	-	-	26 088	26 088
Annuities - participating	-	-	-	7 018	7 018
Non-participating risk business	32	374	2 336	10 710	13 452
Other non-participating liabilities	-	-	-	2 022	2 022
Total insurance policies	4 799	21 227	54 291	55 016	135 333
2012: R million					
Linked and market-related	1 778	7 593	21 532	3 008	33 911
Smoothed bonus business	2 591	11 079	28 233	4 691	46 594
Guaranteed business	-	-	-	6	6
Annuities - guaranteed	-	-	-	27 392	27 392
Annuities - participating	-	-	-	7 011	7 011
Non-participating risk business	28	351	2 304	10 439	13 122
Other non-participating liabilities	5	-	-	1 560	1 565
Total insurance policies	4 402	19 023	52 069	54 107	129 601

Comparative information has been restated for new product classifications

15. LONG-TERM POLICY LIABILITIES (continued)	Note	Group		Company	
		2013 R million	2012 R million	2013 R million	2012 R million
15.7 Policy liabilities include the following:					
Provision for HIV/Aids and other pandemics		3 599	4 532	2 312	3 199
Asset mismatch reserve		3 926	3 325	3 741	3 213
16. TERM FINANCE					
Term finance comprises:					
Interest-bearing liabilities held in respect of margin business	16.1	300	500	-	-
Other interest-bearing liabilities	16.2	3 201	3 299	2 071	2 141
		3 501	3 799	2 071	2 141
16.1 Interest-bearing liabilities held in respect of margin business					
Redeemable cumulative non-voting preference shares issued by subsidiary companies, with dividend terms that range between 5.5% and 8.5% (2012: 5.5% and 8.3%) or linked to prime interest rates. The preference shares have different redemption dates up to 2016.					
		300	500	-	-
Total term finance liabilities held in respect of margin business		300	500	-	-
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.					
		1 155	-	1 155	-
Unsecured subordinated bond, with interest payable at 9,54% and a final maturity date of 15 August 2018. The bond has a redemption call option at its nominal value of R1 160 million, which the Group can exercise on 15 August 2013.					
		-	1 186	-	1 186
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.					
		870	901	870	901
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.					
		1 022	1 034	-	-
Obligations towards beneficiaries of companies limited by guarantee – matched by assets held in this regard.					
		93	109	-	-
Other		61	69	46	54
Total other term finance liabilities		3 201	3 299	2 071	2 141

16. TERM FINANCE (continued)	Note	Group		Company	
		2013 R million	2012 R million	2013 R million	2012 R million
16.3 Maturity analysis of term finance - fair value					
Due within one year		409	515	15	15
Due within two to five years		1 052	1 063	30	28
Due after more than five years		2 040	2 221	2 026	2 098
Total term finance liabilities		3 501	3 799	2 071	2 141
Maturity analysis of term finance - undiscounted					
Due within one year		424	525	15	15
Due within two to five years		1 357	1 457	50	28
Due after more than five years		3 569	3 432	3 569	3 309
Total term finance liabilities		5 350	5 414	3 634	3 352
16.4 Classification of term finance liabilities					
At fair value through profit or loss	16.4.1	3 194	3 295	2 065	2 137
Valued at stock exchange prices		3 047	3 121	2 025	2 087
Based on internal valuation		147	174	40	50
Other financial liabilities	16.4.2	307	504	6	4
Total term finance liabilities		3 501	3 799	2 071	2 141
16.4.1 Term finance classified as at fair value through profit or loss					
Total designated as at fair value through profit or loss		3 194	3 295	2 065	2 137
Amount contractually payable at maturity		3 081	3 108	1 988	1 988
16.4.2 Term finance classified as other financial liabilities					
Estimated fair value of term finance liabilities measured at amortised cost		307	504	6	4
Refer to note 40 for additional fair value disclosures.					
17. TRADE AND OTHER PAYABLES					
Trading account		9 427	16 362	-	-
Accounts payable		13 928	18 766	2 878	2 435
Policy benefits payable		2 891	2 696	2 242	2 197
Amounts due to reinsurers		1 235	826	26	30
Liability for share based payments		635	606	515	429
Amounts due to holding company and fellow subsidiaries		5 707	3 125	4 195	2 243
Operating lease creditor		31	26	-	-
Claims incurred but not reported		1 535	1 464	1 235	1 217
Total trade and other payables		35 389	43 871	11 091	8 551
Classification of trade and other payables:					
Held for trading at fair value		9 427	16 362	-	-
Other financial liabilities at amortised cost		25 962	27 509	11 091	8 551
Total trade and other payables		35 389	43 871	11 091	8 551
With the exception of the trading account and the liability for share based payments, trade and other payables are payable within one year. The trading account is open ended. In respect of the liability for share based payments, the amount outstanding is payable over five years, however weighted towards one to two years. The effect of discounting is considered immaterial. The estimated fair value of payables at amortised cost approximate fair value. This valuation is based on discounted cash flows and is classified as level 3.					

18. PROVISIONS

Details of the different classes of provisions are as follows:

	Possible claims R million	Post- retirement medical aid R million	Onerous contracts R million	Other R million	Total R million
Group					
Balance at 1 January 2012	235	46	1	26	308
Charged to income statement	(4)	(1)	-	1	(4)
Additional provisions	5	-	-	1	6
Unused amounts reversed	(9)	(1)	-	-	(10)
Utilised during the year	-	(3)	(1)	-	(4)
Balance at 31 December 2012	231	42	-	27	300
Charged to income statement	(133)	-	-	5	(128)
Additional provisions	-	-	-	-	-
Unused amounts reversed	(133)	-	-	5	(128)
Utilised during the year	-	(4)	-	(6)	(10)
Balance at 31 December 2013	98	38	-	26	162
Analysis of provisions					
Current	1	2	-	26	29
Non-current	97	36	-	-	133
Total provisions at 31 December 2013	98	38	-	26	162
Company					
Balance at 1 January 2012	226	21	-	-	247
Charged to income statement	5	-	-	-	5
Additional provisions	5	-	-	-	5
Utilised during the year	-	(2)	-	-	(2)
Balance at 31 December 2012	231	19	-	-	250
Charged to income statement	(133)	-	-	-	(133)
Additional provisions	-	-	-	-	-
Unused amounts reversed	(133)	-	-	-	(133)
Utilised during the year	-	(2)	-	-	(2)
Balance at 31 December 2013	98	17	-	-	115
Analysis of provisions					
Current	-	2	-	-	2
Non-current	98	15	-	-	113
Total provisions at 31 December 2013	98	17	-	-	115

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 are 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 on the Group.

Post-retirement medical aid

The Group provides for the future medical aid contributions for certain pensioners, disabled staff members and disabled advisers. The provision represents the present value of future contributions, which is actuarially determined on an annual basis. Refer note 31: Retirement benefits for employees.

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

	Group		Company	
	2013 R million	2012 R million	2013 R million	2012 R million
19. FINANCIAL SERVICES INCOME				
Analysis per revenue source				
Long-term insurance	20 164	17 150	12 266	11 001
Short-term insurance	20 344	19 101	-	-
Other financial services	1 233	1 350	-	-
Total financial services income	41 741	37 601	12 266	11 001
Analysis per revenue category				
Long-term insurance fee income	20 165	17 150	12 266	11 001
Administration services	3 150	2 640	2 810	2 521
Investment management fees	560	398	453	419
Risk benefit charges and other fee income	16 455	14 112	9 003	8 061
Short-term insurance premiums	20 344	19 101	-	-
Premiums receivable	20 700	19 433	-	-
Change in unearned premium provision	(356)	(332)	-	-
Other financial services fees and income	1 232	1 350	-	-
Total financial services income	41 741	37 601	12 266	11 001
20. REINSURANCE PREMIUMS PAID				
Long-term insurance	1 406	1 167	948	689
Short-term insurance	3 541	3 429	-	-
Premiums payable	3 741	3 565	-	-
Change in unearned premium provision	(200)	(136)	-	-
Total reinsurance premiums paid	4 947	4 596	948	689
21. REINSURANCE INCOME				
Reinsurance commission received				
Long-term insurance	72	67	43	37
Short-term insurance	603	516	-	-
Total reinsurance commission received	675	583	43	37
Reinsurance claims received				
Long-term insurance	841	791	656	531
Short-term insurance	2 226	1 487	-	-
Total reinsurance claims received	3 067	2 278	656	531
22. INVESTMENT RETURN				
Investment income				
Equities and similar securities	6 556	6 263	4 247	4 132
Dividends received from subsidiaries	-	-	1 540	2 216
Interest-bearing, preference shares and similar securities	11 325	11 110	7 190	7 056
Properties	1 047	1 123	898	1 028
Rental income - excluding contingent rental	1 094	1 199	917	1 065
Contingent rental income	89	100	89	100
Rental related expenses	(136)	(176)	(108)	(137)
Income from margin business ⁽¹⁾	22	132	-	-
Total investment income	18 950	18 628	13 875	14 432
⁽¹⁾ Refer to note 26 for finance cost incurred in respect of margin business.				
The interest income on financial assets not classified as at fair value through profit or loss				
	49	72	49	72
Investment surpluses				
Financial assets designated as at fair value through profit or loss	43 667	37 111	37 717	36 121
Financial assets classified as held-for-trading	1 146	690	1 210	680
Investment properties - fixed properties	221	607	125	535
Profit on disposal of associated companies, subsidiaries and operations	26	62	-	-
Total investment surpluses	45 060	38 470	39 052	37 336
Investment return includes:				
Foreign exchange gains	6 504	1 539	6 096	1 505

	Group		Company	
	2013 R million	2012 R million	2013 R million	2012 R million
23. LONG-TERM INSURANCE AND INVESTMENT CONTRACT BENEFITS				
Insurance contracts				
Underwriting policy benefits	7 098	6 349	4 327	3 917
After tax investment return attributable to insurance contract liabilities (note 15)	19 052	21 344	16 408	19 515
Total long-term insurance contract benefits	26 150	27 693	20 735	23 432
Investment contracts				
After tax investment return attributable to investment contract liabilities (note 15)	30 960	22 937	27 162	19 140
Total long-term investment contract benefits	30 960	22 937	27 162	19 140
Analysis of underwriting policy benefits				
Individual insurance	4 119	2 995	2 100	1 972
Employee benefits	2 979	3 354	2 227	1 945
Total underwriting policy benefits	7 098	6 349	4 327	3 917

24. ADMINISTRATION COSTS INCLUDE:

Directors' remuneration

Non-executive directors' emoluments for the year ended 31 December 2013 (R'000)

Name	Directors' fees	Attendance and committees	Allowance	Fees from Group	Total
MMM Bakane-Tuoane	173	334	74	-	581
AD Botha	173	293	74	142	682
PR Bradshaw ⁽¹⁾	75	89	32	-	196
A Duggal ⁽²⁾	173	131	74	-	378
FA du Plessis ⁽³⁾	84	237	36	-	357
MV Moosa	173	355	74	-	602
PT Motsepe	260	250	112	-	622
MP Mthethwa	173	292	74	-	539
SA Nkosi	173	103	74	-	350
I Plenderleith ⁽⁴⁾	129	238	55	-	422
P deV Rademeyer	173	547	74	676	1 470
RV Simelane	173	193	74	-	440
DK Smith (Chairman)	1 461	-	626	-	2 087
CG Swanepoel	173	540	74	494	1 281
ZB Swanepoel	173	208	74	-	455
PL Zim	173	171	74	-	418
Total non-executive directors	3 912	3 981	1 675	1 312	10 880

⁽¹⁾ Appointed 7 August 2013.

⁽²⁾ Appointed 15 January 2013. Remuneration is paid to Shriram Capital.

⁽³⁾ Retired 5 June 2013.

⁽⁴⁾ Retired 4 September 2013.

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R1 054 870.

Executive directors' and prescribed officers' emoluments for the year ended 31 December 2013 (R'000)

Name	Months in service	Salary/Fees	Attributable value of LTIs ⁽⁵⁾	Bonus	Company contributions	Total
JP Möller	12	3 475	4 645	4 000	662	12 782
TI Mvusi ⁽¹⁾	12	2 416	2 429	2 000	411	7 256
Y Ramiah	12	2 597	2 735	2 000	166	7 498
J van Zyl ⁽⁴⁾	12	4 452	263	-	848	5 563
Total executive directors		12 940	10 072	8 000	2 087	33 099
L Lambrechts	12	3 300	2 661	3 500	450	9 911
JHP vd Merwe	12	4 022	5 937	8 000	766	18 725
HC Werth	12	3 212	2 982	3 500	438	10 132
AP Zeeman	12	2 730	3 628	3 000	520	9 878
I Kirk ⁽²⁾	12	3 337	4 728	2 300	691	11 056
Themba Gamedze ⁽³⁾	10	2 500	2 511	1 700	-	6 711
Remainder of executive committee		19 101	22 447	22 000	2 865	66 413

⁽¹⁾ Includes an amount of R260 000 paid by Santam.

⁽²⁾ Ian Kirk as CEO of Santam Limited is a member of the Executive committee. Full details of his emoluments can also be found in the Santam Integrated Report.

⁽³⁾ Appointed on 1 March 2013.

⁽⁴⁾ Johan van Zyl as CEO of Sanlam is a member of the Executive committee. Full details of his emoluments can also be found in the Sanlam Integrated Report.

⁽⁵⁾ Fair value of LTIs granted during the year, assuming 100% vesting.

24. ADMINISTRATION COSTS INCLUDE (continued):

Directors' remuneration (continued)

Non-executive directors' emoluments for the year ended 31 December 2012 (R'000)

Name	Directors' fees	Attendance and committees	Allowance	Fees from Group *	Total
MMM Bakane-Tuoane	168	286	72	-	526
AD Botha	168	241	72	441	922
MP Mthethwa (nee Buthelezi)	168	211	72	-	451
FA du Plessis	168	444	72	-	684
MV Moosa	168	251	72	-	491
PT Motsepe	251	218	108	-	577
SA Nkosi	168	105	72	-	345
I Plenderleith	168	279	72	-	519
P deV Rademeyer	168	483	72	674	1 397
RV Simelane	168	202	72	-	442
DK Smith (Chairman)	1 366	-	585	-	1 951
CG Swanepoel	168	415	72	807	1 462
ZB Swanepoel	168	183	72	-	423
PL Zim	168	148	72	-	388
Total non-executive directors	3 633	3 466	1 557	1 922	10 578

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R856 956.

* Restated for the removal of fees paid by companies outside the Sanlam Life Group.

Executive directors' and prescribed officers emoluments for the year ended 31 December 2012 (R'000)

Name	Months in service	Salary/Fees	Attributable value of LTIs ⁽⁵⁾	Bonus	Company contributions	Total
JP Möller	12	3 292	4 282	3 700	583	11 857
YG Muthien ⁽¹⁾	9	1 702	1 000	688 ⁽⁸⁾	303	3 693
TI Mvusi ⁽²⁾	12	2 356	2 279	2 000	372	7 007
Y Ramiah ⁽³⁾	2	396	332	300	20	1 048
J van Zyl ⁽⁴⁾	12	4 502	-	-	798	5 300
Total executive directors		12 248	7 893	6 688	2 076	28 905
L Lambrechts	12	3 158	3 867	3 000	392	10 417
JHP vd Merwe	12	3 844	6 581	6 000	681	17 106
HC Werth	12	3 036	3 468	3 000	376	9 880
AP Zeeman	12	2 591	3 167	2 600	459	8 817
B Zwane ⁽⁶⁾	6	985	-	1 200 ⁽⁸⁾	177	2 362
I Kirk ⁽⁷⁾	12	3 222	2 040	2 500	578	8 340
Remainder of executive committee		16 836	19 123	19 500	2 663	56 922

⁽¹⁾ Retired on 5 September 2012.

⁽²⁾ Includes an amount of R250 000 paid by Santam.

⁽³⁾ Appointed on 1 November 2012 on Executive committee and on 5 December 2012 as executive director.

⁽⁴⁾ Johan van Zyl as CEO of Sanlam is a member of the Executive committee. Full details of his emoluments can also be found in the Sanlam Integrated Report.

⁽⁵⁾ Resigned on 8 June 2012.

⁽⁷⁾ Ian Kirk as CEO of Santam is a member of the Executive committee. Full details of his emoluments can also be found in the Santam Integrated Report.

⁽⁸⁾ Termination benefit

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

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

Further details of Sanlam Life Insurance Limited's remuneration policy and directors' emoluments are provided in the Sanlam Group Integrated Report 2013 on pages 66 to 91.

Fees from Group companies for the year ended 31 December 2013 (R'000)

	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	48	78	16	142
P de V Rademeyer	213	291	172	676
CG Swanepoel	164	188	142	494
Total fees from Group companies	425	557	330	1 312

24. ADMINISTRATION COSTS (continued)

Fees from Group companies for the year ended 31 December 2012 (R'000)

	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	146	249	46	441
P de V Rademeyer	308	287	81	676
CG Swanepoel	227	438	142	807
Total fees from Group companies	681	974	269	1 924

Out-Performance Plan (OPP)

From time to time, at the discretion of the GHRC, participation in the OPP is extended to certain executives who are leaders of the Group's main operating businesses. The OPP rewards superior performance over a three- to five-year measurement period and is used infrequently. Executive directors currently do not participate in the OPP.

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

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

Individual	Measurement period	Achievement	Reward
L Lambrechts	1 January 2010 - 31 December 2012	100,0%	R21,6 million paid on 1 April 2013
L Lambrechts	1 January 2013 - 31 December 2015	22%	Final measurement and payment on 1 April 2016
JHP van der Merwe	1 January 2009 - 31 March 2014	n/a	Final measurement and payment on 1 April 2014
HC Werth	1 January 2012 - 31 December 2014	69%	Final measurement and payment on 1 April 2015
I Kirk	1 January 2010 - 31 December 2014	n/a	Final measurement and payment on 1 April 2015

To the extent that any awards are granted under the OPP in 2014, this will occur on a basis consistent

	Group		Company	
	2013 R million	2012 R million	2013 R million	2012 R million
Auditors' remuneration				
Audit fees: statutory audit	78	73	31	31
Other services provided by	13	18	6	6
Subsidiaries' own auditors	11	14	6	6
Other Group auditors	2	4	-	-
Total auditors' remuneration	91	91	37	37
Depreciation	191	200	82	83
Operating leases	474	432	67	58
Properties	293	260	66	56
Equipment	165	155	1	2
Other	16	17	-	-
Consultancy fees	661	544	393	323
Technical, administrative and secretarial fees	433	516	63	120
Employee benefits	5 625	5 027	2 583	2 273
Salaries and other short-term benefits	4 892	4 373	2 195	1 926
Pension costs - defined contribution plans	279	251	131	125
Pension costs - defined benefit plans	32	24	28	10
Share-based payments	262	229	185	156
Other long-term incentive schemes	160	150	44	56

Following the reassessment of the aggregation of employee benefits in the current year, comparative information has been restated.

24. ADMINISTRATION COSTS (continued)

Equity compensation plans

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

	Shares	Options	Average option price	Shares	Options	Average option price
	2013 000s	2013 000s	2013 R	2012 000s	2012 000s	2012 R
Group						
Executive share incentive scheme						
Total number of shares and share options at beginning of year	35 893	-	-	38 494	2 648	8.18
Unrestricted shares and share options at beginning of year	(2 064)	-	-	(2 682)	(2 648)	8.18
Restricted shares at beginning of year	33 829	-	-	35 812	-	-
New restricted shares granted in terms of restricted share and DSP schemes	6 117	-	-	8 313	-	-
Unconditional shares released, available for release, or taken up	(7 695)	-	-	(9 082)	-	-
Shares forfeited	(712)	-	-	(1 214)	-	-
Restricted shares at end of year	31 539	-	-	33 829	-	-
Unrestricted shares and share options at end of year	1 286 ⁽²⁾	-	-	2 064 ⁽²⁾	-	-
Total number of shares and share options at end of year	32 825	-	-	35 893	-	-
Shares the subject of loans granted ⁽¹⁾	-	-	-	-	-	-
Total equity participation by employees	32 825	-	-	35 893	-	-
Company						
Executive share incentive scheme						
Total number of shares and share options at beginning of year	30 738	-	-	33 468	2 632	8.14
Unrestricted shares and share options at beginning of year	(1 924)	-	-	(2 618)	(2 632)	8.14
Restricted shares at beginning of year	28 814	-	-	30 850	-	-
New restricted shares granted in terms of restricted share and DSP schemes	5 217	-	-	7 145	-	-
Unconditional shares released, available for release, or taken up	(6 275)	-	-	(8 073)	-	-
Shares forfeited	(603)	-	-	(1 108)	-	-
Restricted shares at end of year	27 153	-	-	28 814	-	-
Unrestricted shares and share options at end of year	1 172 ⁽²⁾	-	-	1 924	-	-
Total number of shares and share options at end of year	28 325	-	-	30 738	-	8.14
Shares the subject of loans granted ⁽¹⁾	-	-	-	-	-	-
Total equity participation by employees	28 325	-	-	30 738	-	-

⁽¹⁾ Outstanding amount of loans granted in respect of these shares amounts to Rnil (2012: Rnil) for the Group and Rnil (2012: Rnil) for the Company. No new loans were granted during the current year.

⁽²⁾ During the year 832,063 (Group) and 745,121 (Company) number of shares became unrestricted.

Details regarding the restricted shares outstanding on 31 December 2013 and the financial years during which they become unconditional, are as follows:

Unrestricted during year ending (subject to performance targets)	Group Number of shares 000's		Company Number of shares 000's	
	2013	2012	2013	2012
31 December 2013	-	7 581	-	6 259
31 December 2014	7 689	7 785	6 175	6 173
31 December 2015	7 011	7 241	5 688	6 030
31 December 2016	11 733	9 374	10 597	8 658
31 December 2017	3 474	1 848	2 975	1 694
31 December 2018	1 632	-	1 383	-
	Group		Company	
	2013	2012	2013	2012
Weighted averages share price of options exercised during the year	N/A	R33.25	N/A	R33.25

The total restricted shares granted to staff and executive directors were 4.5 million (2012: 8.3 million) for the Group and 3.9 million (2012: 7.1 million) for the Company. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R186 million (2012: R238 million) for the Group and R173 million (2012: R193 million) for the Company and is expensed in the statement of comprehensive income over the vesting period of five years. The fair value is based on the Sanlam share price on grant date, adjusted for dividends not accruing to participants during the vesting period and the probability that the service and performance conditions will be met in part.

	Group		Company	
	2013 R million	2012 R million	2013 R million	2012 R million
25. EQUITY-ACCOUNTED EARNINGS				
Sanlam Personal Loans	131	151	-	-
Shriram Capital	330	-	-	-
Letshego	186	180	-	-
Pacific and Orient	46	-	-	-
Capricorn Investment Holdings	50	-	-	-
Other associated companies	382	232	-	-
Equity-accounted earnings	1 125	563	-	-

26. FINANCE COST				
Interest paid and term finance cost in respect of interest margin business	22	10	-	-
Finance cost - margin business	22	10	-	-
Interest-bearing liabilities designated as at fair value through profit or loss	457	415	187	191
Interest bearing liabilities held at amortised cost	28	20	-	-
Finance cost - other	485	435	187	191

27. TAXATION

Analysis of income tax per category

	2 317	2 721	1 278	1 698
Normal income tax	1 749	1 564	1 073	1 109
RSA – current year	(19)	17	-	-
RSA – Prior year (under) / over provision	108	61	99	61
Dividend tax - policyholders	380	401	6	3
Foreign	98	536	100	523
Capital gains tax	1	142	-	2
Secondary Tax on Companies	794	596	686	342
Deferred tax	80	120	-	70
Normal tax - current year	1	2	-	-
Normal tax - prior year	3	7	-	-
Foreign	710	384	686	232
Capital gains tax - current year	-	83	-	40
Secondary Tax on Companies				
Tax expense	3 111	3 317	1 964	2 040
Shareholders' fund	2 118	2 193	1 177	1 100
Policyholders' fund	993	1 124	787	940
Tax expense	3 111	3 317	1 964	2 040

In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:

Included in administration costs	298	256	219	178
Included elsewhere in the statement of comprehensive income	75	96	53	51
Total indirect taxes and levies	373	352	272	229

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

	Group		Company	
	2013 %	2012 %	2013 %	2012 %
Standard rate of taxation	28.0	28.0	28.0	28.0
Adjusted for:				
Non-taxable income	(4.0)	(3.8)	(5.1)	(4.9)
Disallowable expenses	0.9	0.5	-	-
Share-based payments	-	-	-	-
Investment surpluses	(4.7)	(4.0)	(10.6)	(14.3)
Secondary Tax on Companies	-	2.0	-	0.3
Foreign tax rate differential	0.1	(0.1)	-	-
Policyholder investment return	5.5	7.1	4.9	4.5
Prior year overprovisions	(0.2)	0.1	-	-
Dividend Tax	-	-	-	-
Utilisation of assessed loss	-	-	-	-
Other	(1.2)	(0.2)	(0.2)	-
Effective tax rate	24.4	29.6	17.0	13.6

28. DIVIDENDS

A dividend of R90 per share was declared and paid on 31 March 2013 (2012: R56 per share) in respect of the 2012 financial year.

	Group		Company	
	2013	2012	2013	2012
	R million	R million	R million	R million
29. COLLATERAL				
29.1 Collateral provided				
The following assets have been pledged as collateral for the Group's derivatives, liabilities or contingent liabilities:				
Investments				
Interest-bearing investments	795	316	795	316
29.2 Collateral received				
The following collateral has been received in respect of securities lending activities conducted by the Group:				
Fair value of collateral accepted as security for these activities	15 545	12 829	17 206	13 004
Collateral of between 105% and 115% of the value of the loaned securities is held at 31 December 2013.				

30. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

30.1 Impairment of goodwill and value of business acquired

The recoverable amount of goodwill and value of business acquired and other intangible assets for impairment testing purposes has been determined based on the embedded value of covered life insurance businesses and the fair value of other businesses, as applicable, less the consolidated net asset value of the respective businesses. The embedded value 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.

30.2 Properties

The valuation of properties is based on estimates and assumptions that have a direct impact on the fair value of properties included in the Sanlam Life Group statement of financial position. The majority of the Group's properties are held by Sanlam Life Insurance Limited group for which the main valuation assumptions used as at 31 December 2013 and the sensitivity of the valuations to changes in the assumptions are summarised below:

Assumption	Base assumption	Change in assumption	Change in fair value of properties	
			Decrease in assumption	Increase in assumption
			R million	R million
2013				
Base discount rate	11.3%-19.1%	1%	272	(255)
Capitalisation rate	9.5%-19.5%	1%	432	(354)
2012				
Base discount rate	10%-17.7%	1%	338	(316)
Capitalisation rate	9.5%-19.5%	1%	558	(455)

30.3 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 34 to 39.

The following process is followed to determine the valuation assumptions:

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

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 provided in note 8 on page 96.

Future bonus rates for participating business

Assumed future bonus rates are determined to be consistent with the valuation implicit rate assumptions. Refer to page 96 for additional information.

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

Decrements

Assumptions with regard to future mortality, disability and disability payment termination rates and surrender and lapse rates are consistent with the experience for the five years up to 30 June 2013. 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.

Expenses

Unit expenses are based on the 2013 actual figures and escalated at estimated expense inflation rates per annum.

30.4 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% (2012: 10%) from management's estimates, no impairment of the DAC asset would be required.

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

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

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

Refer to the Capital and Risk Management Report on page 98 for further information on the estimation of the claims liability.

30.6 Valuation of unlisted investments

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

30.7 Consolidation of investment funds

The Group invest in a number of investment funds and have varying holdings. Previously, only investments in investment funds where the group had a majority interest were consolidated. 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. This resulted in a number of additional investment funds that required consolidation and a number of funds that were deconsolidated. Details of the impact of previously reported financial information is disclosed in note 42 on page 85.

31. RETIREMENT BENEFITS FOR EMPLOYEES

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

Group

At 31 December 2013, 98% of employees were covered by defined contribution funds and 2% by defined benefit funds (2012: 98% and 2% respectively).

Company

At 31 December 2013, 98% of employees were covered by defined contribution funds and 2% by defined benefit funds (2012: 97% and 3% respectively).

31.1 Defined contribution funds

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

Group

The Group contributed R279 million to these funds during 2013 (2012: R251 million).

Company

The Company contributed R131 million to these funds during 2013 (2012: R125 million).

31.2 Defined benefit funds

The Group has two defined benefit funds.

Company fund:

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

Additional funds in the Group:

Sanlam Developing Markets defined benefit fund SA

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

The majority of the Group's defined benefit obligation is made up of the Sanlam Life Fund. This Defined Benefit Fund is governed by the Pension Fund 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.

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

The plan assets are also well diversified. The Sanlam Developing Markets plan is subject to similar risk management practices.

The funding level of the fund is 127.0% (previous year 117%) for the Group and 128% (previous year 119%) for the company. There are no statutory minimum funding level requirements.

During the year ended 31 December 2013 there were no amendments, settlements or curtailments for any of the benefit plans.

The fund is closed to new entrants.

		Sanlam office personnel	Sanlam Developing Markets SA
Principal actuarial assumptions:		31 Dec 2013	31 Dec 2013
Latest valuation date		31 Dec 2013	31 Dec 2013
Pre-retirement discount rate	% pa	9.0%	9.0%
Post-retirement discount rate	% pa	1.5%	9.0%
Future salary increases	% pa	7.9%	6.5%
Future pension increases	% pa	6.9%	5.0%
Actual experience:			
Actual return on assets	% pa	9.5%	21.8%

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

Group

	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million
Net liability recognised in statement of financial position:					
Present value of fund obligations	1 279	1 330	1 397	1 243	1 144
Actuarial value of fund assets	(1 625)	(1 556)	(1 404)	(1 402)	(1 319)
Net present value of funded obligations	(346)	(226)	(7)	(159)	(175)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	346	226	7	159	175
Net liability recognised in statement of financial position:	-	-	-	-	-

Experience adjustments on:

Fund obligations	1.0%	0.6%	0.3%	-1.0%	0.5%
Fund assets	1.3%	7.7%	0.8%	2.1%	5.5%

Company

	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million
Net liability recognised in statement of financial position:					
Present value of fund obligations	1 127	1 172	1 251	1 092	1 012
Actuarial value of fund assets	(1 443)	(1 390)	(1 251)	(1 255)	(1 182)
Net present value of funded obligations	(316)	(218)	-	(163)	(170)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	316	218	-	163	170
Net liability recognised in statement of financial position:	-	-	-	-	-

Experience adjustments on:

Fund obligations	1.0%	3.2%	0.4%	-1.2%	0.6%
Fund assets	1.3%	8.1%	0.9%	2.4%	6.1%

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

Group

R million	Fund assets	Fund liabilities	Asset ceiling	Net Asset/Liability
2013				
Balance at beginning of the year	1 556	(1 330)	(226)	-
Current service cost	-	(22)	-	(22)
Past service cost	-	-	-	-
Contributions	12	-	-	12
Employee	4	-	-	4
Employer	8	-	-	8
Benefit payments	(101)	99	-	(2)
Interest income / (expense)	121	(108)	(20)	(7)
Actuarial gains and losses: change in financial assumptions	-	82	-	82
Returns from plan assets (excluding amounts included in interest)	40	-	-	40
Foreign exchange losses	-	-	-	-
Effect of limiting defined benefit asset to amount available to employer	-	-	(100)	(100)
Other	(3)	-	-	(3)
Balance at end of the year	1 625	(1 279)	(346)	-
2012				
Balance at beginning of the year	1 404	(1 397)	(7)	-
Current service cost	-	(19)	-	(19)
Past service cost	-	-	-	-
Contributions	10	-	-	10
Employee	3	-	-	3
Employer	7	-	-	7
Benefit payments	(115)	114	-	(1)
Interest income / (expense)	124	(117)	(1)	6
Actuarial gains and losses: change in financial assumptions	-	87	-	87
Returns from plan assets (excluding amounts included in interest)	135	-	-	135
Foreign exchange losses	-	-	-	-
Effect of limiting defined benefit asset to amount available to employer	-	-	(218)	(218)
Other	(2)	2	-	-
Balance at end of the year	1 556	(1 330)	(226)	(0)

Company

R million	Fund assets	Fund liabilities	Asset ceiling	Net Asset/Liability
2013				
Balance at beginning of the year	1 390	(1 172)	(218)	-
Current service cost	-	(19)	-	(19)
Past service cost	-	-	-	-
Contributions	10	-	-	10
Employee	3	-	-	3
Employer	7	-	-	7
Benefit payments	(84)	84	-	(0)
Interest income / (expense)	108	(96)	(18)	(6)
Actuarial gains and losses: change in financial assumptions	-	76	-	76
Returns from plan assets (excluding amounts included in interest)	22	-	-	22
Foreign exchange losses	-	-	-	-
Effect of limiting defined benefit asset to amount available to employer	-	-	(80)	(80)
Other	(3)	-	-	(3)
Balance at end of the year	1 443	(1 127)	(316)	-
2012				
Balance at beginning of the year	1 251	(1 251)	-	-
Current service cost	-	(15)	-	(15)
Past service cost	-	-	-	-
Contributions	10	-	-	10
Employee	3	-	-	3
Employer	7	-	-	7
Benefit payments	(98)	98	-	-
Interest income / (expense)	119	(112)	-	7
Actuarial gains and losses: change in financial assumptions	-	108	-	108
Returns from plan assets (excluding amounts included in interest)	110	-	-	110
Foreign exchange losses	-	-	-	-
Effect of limiting defined benefit asset to amount available to employer	-	-	(218)	(218)
Other	(2)	-	-	(2)
Balance at end of the year	1 390	(1 172)	(218)	-

31. RETIREMENT BENEFITS FOR EMPLOYEES (continued)

31.2 Defined benefit funds (continued)

R' million	Group		Company	
	2013	2012	2013	2012
Fund assets comprise:				
Properties	13	31	13	21
Equities and similar securities	457	638	325	537
Interest bearing investments	557	607	511	566
Cash, deposits and similar securities	598	280	594	266
	1 625	1 556	1 443	1 390

The above value of fund assets includes an investment of R5,3 million (2012: R4.6 million) in Sanlam shares.

No material portion of the above assets is unquoted

Net expense recognised in the statement of comprehensive income (included in administration costs):				
Current service cost	22	19	19	15
Interest cost	7	(6)	6	(7)
Other	3	-	3	2
Total included in staff costs	32	13	28	10

The best estimate of the expected contributions payable to the fund by the Group and Company in 2014 are R10.1 million and R9.6 million respectively.

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

< 1 year	(115)	(120)	(101)	(105)
1 - 5 years	(422)	(439)	(372)	(387)
> 5 years	(742)	(772)	(654)	(680)
Total Expected payments	(1 279)	(1 330)	(1 127)	(1 172)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2013 is as follows:

Sensitivity analysis	% change in assumed actuarial assumptions			
	Group		Company	
	1% decrease	1% increase	1% decrease	1% increase
Real Rate of Return	164	(131)	144	(115)
Total defined benefit obligation for post-retirement benefits	1,443	1,148	1,271	1,012

The sensitivity analysis above has been determined by varying the major actuarial assumptions.

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

31.3 Medical aid funds

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

Principle actuarial assumptions at 31 December were as follows:	Sanlam office personnel	Sanlam Developing Markets SA
	Pre-retirement discount rate	9.0%
Returns for All bond index (ALBI)	9.0%	8.0%
Expected increase in medical aid contributions	9.0%	8.2%

Group	2013	2012			
	R million	R million			
Net liability recognised in statement of financial position:					
Balance at the beginning of the year	42	46			
Movement for the year:	(4)	(4)			
Interest	3	4			
Actuarial gains and losses	(3)	(4)			
Benefits paid	(4)	(4)			
Balance at the end of the year	38	42			
	2013	2012	2011	2010	2009
	R million	R million	R million	R million	R million
Net liability recognised in statement of financial position:					
Present value of unfunded obligation	38	42	46	23	25
Experience adjustments on:					
Fund obligation	-1.4%	-0.6%	0.5%	3.3%	-10.5%

31. RETIREMENT BENEFITS FOR EMPLOYEES (continued)

31.3 Medical aid funds (continued)

Sensitivity analysis	% increase in assumed medical aid contributions	
	2%	-2%
Effect of change in assumed medical aid contributions (R million):		
Aggregate of current service and interest costs	4	3
Total defined benefit obligation for post-employment medical benefits	39	37

Company

Net liability recognised in statement of financial position:	2013	2012
	R million	R million
Balance at the beginning of the year	19	21
Movement for the year:	(2)	(2)
Interest	1	2
Benefits paid	(3)	(4)
Balance at the end of the year	17	19

Net liability recognised in statement of financial position:	2013	2012	2011	2010	2009
	R million	R million	R million	R million	R million
Present value of unfunded obligation	17	19	21	23	25

Experience adjustments on:

Fund obligation	-1.4%	-0.6%	0.5%	3.3%	-10.5%
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Sensitivity analysis	% increase in assumed medical aid contributions	
	2%	-2%
Effect of change in assumed medical aid contributions (R million):	1	2
Aggregate of current service and interest costs	18	16
Total defined benefit obligation for post-employment medical benefits		

32. BORROWING POWERS

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

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

	Group		Company	
	2013	2012	2013	2012
	R million	R million	R million	R million
33. COMMITMENTS AND CONTINGENCIES				
33.1 Operating leases				
Future operating lease commitments:				
Lease rentals due within one year	444	378	65	57
Lease rentals due within two to five years	658	513	55	43
Lease rentals due within more than five years	116	163	-	-
Total operating lease commitments	1 218	1 054	120	100
33.2 Other				

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

34. RELATED PARTIES

Ultimate shareholder

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

Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R311 million in 2013 (2012: R275 million) for the Group and R159 million in 2013 (2012: R135 million) for the company. There are no amounts outstanding at year-end.

Transactions with directors

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

Policy administration

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

34. RELATED PARTIES (continued)

Transactions with entities in the Sanlam group

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

The Company advanced, repaid and received loans from other subsidiaries in the Sanlam group during the current and previous years.

Details of investments in subsidiaries, associates and joint ventures are disclosed in notes 7.2 and note 7.4

Inter-company balances with subsidiaries are disclosed below other than loans which are disclosed on page 88.

Details of transactions that occurred during the financial period and outstanding balances with related parties, are listed below. A complete list of all related parties are disclosed on pages 90 to 92.

Company	Transaction / Balance type	Total Transactions		Balances outstanding	
		2013	2012	2013	2012
Related Parties		R million	R million	R million	R million
Holding company					
Sanlam Ltd	Inter-company balances	-	-	(2 278)	(819)
Subsidiaries (Direct and Indirect)					
Anglo African Finance (Pty) Ltd	Inter-company balances	-	-	(10)	(12)
Anson Holdings (Pty) Ltd	Interest on loan account	(7)	(2)	-	-
Channel Life Ltd	Distributions received	304	-	-	-
Dandy Shelf 21 (Pty) Ltd	Distributions received	-	69	-	-
Echelon Distribution Services	Service,commission and marketing fees	-	7	-	-
Sanlam Customised Insurance Limited	Service & commission fees	-	1	-	-
	Reinsurance premiums received	-	(2)	-	-
	Distributions received	-	4	-	-
Sanlam Developing Markets Ltd	Service,commission and marketing fees	37	32	-	-
	Distributions received	138	73	-	-
Sanlam Health Care Management (Pty) Ltd	Distributions received	-	23	-	-
Sanlam Investment Management (Pty) Ltd	Service fees	332	297	-	-
	Scrip lending fees	12	13	-	-
	Distributions received	232	899	-	-
Sanlam Life Namibia Ltd	Cost recoveries	3	4	-	-
	Distributions received	124	118	-	-
Sanlam Linked Investments (Pty) Ltd	Service & commission fees	56	55	-	-
Sanlam Namibia Holdings Ltd	Distributions received	52	32	-	-
	Cost recoveries	2	4	-	-
Sanlam Private Investments (Pty) Ltd	Service,commission and marketing fees	40	32	-	-
Sanlam Trust (Pty) Ltd	Service,commission and marketing fees	20	11	-	-
	Distributions received	21	11	-	-
Santam Ltd	Service fees	202	170	-	-
	Inter-company balances	-	-	6	8
	Distributions received	442	973	-	-
Status Beleggings (Pty) Ltd	Distributions received	-	15	-	-
U.R.D. Investments (Pty) Ltd	Distributions received	227	-	-	-
Fellow subsidiaries (Direct and Indirect)					
Gensec Ireland Ltd	Inter-company balances	-	-	-	(399)
Gensec Holdings BV	Inter-company balances	-	-	(400)	-
Glacier Financial Holdings (Pty) Ltd	Service and marketing fees	52	12 ⁽¹⁾	-	-
	Inter-company balances	-	-	(6)	(9)
MiWay Finance (Pty) Ltd	Inter-company balances	-	-	4	6
Radius Administrative Services (Pty) Ltd	Inter-company balances	-	-	3	-
Real Futures (Pty) Limited	Service,commission and marketing fees	7	5	-	-
Sanlam Capital Markets Ltd	Financial instruments	-	-	4 870	4 292
	Inter-company balances	-	-	71	71
Sanlam Collective Investments (RF) (Pty) Ltd	Service,commission and marketing fees	34	37	-	-
	Interest paid	(18)	(20)	-	-
	Inter-company balances	-	-	(99)	(136)
Sanlam Investment Holdings (Pty) Ltd	Inter-company balances	-	-	582	632
Sanlam Investments (Pty) Ltd	Inter-company balances	-	-	1	1
Sanlam Netherlands Holding BV	Inter-company balances	-	-	(1 419)	(890)
The Sanlam Limited Share Incentive Trust	Inter-company balances	-	-	510	450
Associate of holding company					
Gensec Property Services Ltd	Property Management fee	(29)	(39)	-	-
	Tenant commission	(29)	(21)	-	-
Joint Ventures					
Sanlam Personal Loans (Pty) Ltd	Financial instruments	-	-	60	116
Curo Fund Services (Pty) Ltd	Asset administration fee	65	23	-	-

(1) The composition of related party transactions with Glacier Financial Holdings was re-assessed in the current year. Third party commissions were previously included in this disclosure. Comparative amounts have been restated.

34. RELATED PARTIES (continued)

Company	Transaction	2013		2012 ⁽¹⁾
		R million	Total Transactions	R million
Related Parties				
First Avenue Sanlam Collective Investments Equity Fund	Distributions received	3		-
Sanlam All Share Index Fund	Distributions received	-		2
Sanlam Bond Index Fund	Distributions received	5		2
Sanlam Diversified Income Fund of Funds	Distributions received	2		-
Sanlam Growth Institutional Fund	Distributions received	2		34
Sanlam Institutional Special Opportunities Fund	Distributions received	16		37
Sanlam Multi Managed Cautious Fund of Funds	Distributions received	1		-
Sanlam Multi Managed Equity Fund	Distributions received	1		-
Sanlam Multi Managed Equity Index Fund	Distributions received	1		6
Sanlam Multi Managed Inflation Linked Bond Fund	Distributions received	48		23
Sanlam Multi Managed Institutional Aggressive Equity Fund One	Distributions received	-		20
Sanlam Multi Managed Institutional All Bond Fund One	Distributions received	45		36
Sanlam Multi Managed Institutional All Bond Fund Two	Distributions received	-		24
Sanlam Multi Managed Institutional All Bond Fund Three	Distributions received	34		14
Sanlam Multi Managed Institutional Balanced Fund of Funds	Distributions received	1		-
Sanlam Multi Managed Institutional Bond Fund	Distributions received	97		24
Sanlam Multi Managed Institutional General Equity Fund One	Distributions received	4		16
Sanlam Multi Managed Institutional General Equity Fund Two	Distributions received	1		28
Sanlam Multi Managed Institutional Positive Return Fund Four	Distributions received	9		11
Sanlam Multi Managed Institutional Positive Return Fund One	Distributions received	1		1
Sanlam Multi Managed Institutional Positive Return Fund Two	Distributions received	39		8
Sanlam Multi Managed Institutional Positive Return Fund Three	Distributions received	11		5
Sanlam Multi Managed Institutional Prudential Income Provider Fund Two	Distributions received	147		-
Sanlam Multi Managed Moderate Aggressive Fund of Funds	Distributions received	1		-
Sanlam Multi Managed Moderate Fund of Funds	Distributions received	2		1
Sanlam Multi Managed Yield Plus Fund	Distributions received	42		-
Sanlam Optimised Income Fund	Distributions received	1		5
Sanlam Stable Growth Fund	Distributions received	3		-
Sanlam Value Institutional Fund	Distributions received	4		38
SIM Absolute Return Income Fund	Distributions received	26		-
SIM Active Income Fund	Distributions received	29		-
SIM Balanced Fund	Distributions received	37		-
SIM Inflation Plus Fund	Distributions received	25		-
SIM Managed Aggressive Fund of Funds	Distributions received	4		3
SIM Managed Cautious Fund of Funds	Distributions received	21		12
SIM Managed Conservative Fund of Funds	Distributions received	7		-
SIM Managed Moderate Aggressive Fund of Funds	Distributions received	12		3
SIM Managed Moderate Fund of Funds	Distributions received	54		29
SIM Market Allocator Fund	Distributions received	1		-
SIM Namibia Property Fund	Distributions received	-		1
SIM Value Fund	Distributions received	1		-
Satrix FINI Portfolio	Distributions received	11		-
Satrix 40 Portfolio	Distributions received	61		-
Post-employment benefit funds				
Pension funds	Pension fund admin charges	-		(7)
	Pension fund contributions	-		(125)
Key management personnel compensation⁽²⁾				
Short-term employee benefits		161		142
Share-based payments		150		110
Terminations		-		2
Other long-term benefits and incentive schemes		38		31
Total key management personnel compensation		349		285

⁽¹⁾ Distributions received disclosed in 2012, included realised profits on units sold. It was subsequently amended to only include interest & dividend income.

⁽²⁾ Following the reassessment of key management personnel identifications in the current year, comparative information has been restated.

Group	Transaction / Balance type	Total Transactions		Balances outstanding	
		2013	2012 ⁽¹⁾	2013	2012
Related Parties		R million	R million	R million	R million
Holding company					
Sanlam Ltd	Inter-company balances	-	-	(2 278)	(819)
	Dividends received	253	157	-	-
Subsidiaries of fellow subsidiaries					
Sanlam Collective Investments Ltd	Service,commission and marketing fees	34	37	124	-
	Investment Management Fees	173	143	-	-
	Interest paid	(18)	(20)	-	-
Sanlam Capital Markets Ltd	Inter-company balances (payable)	-	-	(74)	(114)
	Investment Management Fees	-	-	-	-
	Financial instruments	-	-	4 870	4 292
	Inter-company balances (receivable)	-	-	-	80
	Inter-company balances (payable)	-	-	(739)	(467)
Glacier (Pty) Ltd	Service,commission and marketing fees	52	12	16	-
	Inter-company balances	-	-	-	(9)
Sanlam Multi Managers International (Pty) Ltd	Service,commission and marketing fees	52	45	5	4
Gensec Ireland Ltd	Inter-company balances	-	-	-	(399)
	Interest paid	-	(11)	-	-
Gensec Holdings BV	Inter-company balances	-	-	(400)	-
	Interest paid	(4)	-	-	-
Sanlam Credit Conduit (Pty) Ltd	Inter-company balances	-	-	-	7
	Investment Management Fees	-	6	-	-
Sanpref (Pty) Ltd	Inter-company balances	-	-	(405)	(405)
Sanlam Spec (Pty) Ltd	Inter-company balances	-	-	32	32
SIM Kenya (Pty) Ltd	Inter-company balances	-	-	2	(7)
SIM Unconstrained Equity (Pty) Ltd	Inter-company balances	-	-	(9)	(14)
	Investment Management Fees	(40)	(38)	-	-
	Service,commission and marketing fees	3	3	-	-
The Sanlam Limited Share Incentive Trust	Inter-company balances	-	-	357	559
Sanlam Investment Holdings Ltd	Inter-company balances	-	-	(424)	800
Sanlam Netherlands Holdings	Inter-company balances	-	-	1 419	(890)
Genbel Securities Limited	Inter-company balances (receivable)	-	-	35	35
Radius Administrative Services (Pty) Ltd	Inter-company balances	-	-	4	-
Gravton Financial Partners (Pty) Ltd	Inter-company balances	-	-	23	-
Gravton Wealth (Pty) Ltd	Inter-company balances	-	-	2	-
Sanlam Asset Management Ireland Ltd	Inter-company balances	-	-	9	-

⁽¹⁾ Service commission disclosed in 2012, included amounts paid by policy holders. It was subsequently amended to exclude these amounts.

34. RELATED PARTIES (continued)

Group	Transaction / Balance type	Total Transactions		Balances outstanding	
		2013	2012	2013	2012
		R million	R million	R million	R million
Related Parties					
Sanlam Investments (Pty) Ltd	Inter-company balances	-	-	-	1
Graviton Financial Partners	Inter-company balances	-	-	-	8
Sanlam International	Inter-company balances	-	-	-	-
	Investment Management Fees	-	-	-	-
Sanlam Asset Management (Ireland) Ltd:	Investment Management Fees	34	34	-	-
	Inter-company balances	-	-	-	3
Associate of holding company					
Gensec Property Services Ltd	Asset management fees	(29)	(39)	-	-
	Tenant commission	(29)	(21)	-	-
Coris Capital (Pty) Ltd	Service fees received	-	-	-	-
	Service fees paid	-	-	-	-
Joint Ventures					
Sanlam Personal Loans (Pty) Ltd	Interest on loan account	-	-	-	-
	Financial instruments	-	-	-	-
Curo Fund Services (Pty) Ltd	Asset administration fee	-	23	-	-

34. RELATED PARTIES (continued)
Company (continued)

	2013	2012
	R million	R million
Key management personnel compensation		
Short-term employee benefits	305	273
Share-based payments	160	126
Terminations	5	14
Other long-term benefits	69	54
	539	467

Following the reassessment of key management personnel identifications in the current year, comparative information has been restated.

	Group		Company	
	2013	2012	2013	2012
	R million	R million	R million	R million

35. NOTES TO THE CASH FLOW STATEMENT
35.1 Cash utilised by operations

Profit before tax per statement of comprehensive income	12 730	11 203	11 565	14 988
Net movement in policy liabilities (note 15.1)	42 278	42 139	38 238	34 732
Non-cash flow items	(45 500)	(38 452)	(38 924)	(37 228)
Depreciation	191	200	82	83
Bad debts written off	216	144	46	25
Share-based payments	114	54	-	-
Profit on disposal of subsidiaries and associated companies	(26)	(62)	-	-
Fair value adjustments	(45 034)	(38 408)	(39 052)	(37 336)
Impairment of investments and goodwill	32	84	-	-
Amortisation of other intangibles	132	99	-	-
Equity-accounted earnings	(1 125)	(563)	-	-
Items excluded from cash utilised in operations	(17 396)	(17 060)	(12 790)	(13 213)
Interest and preference share dividends received	(11 347)	(11 242)	(7 190)	(7 056)
Interest paid	507	445	187	191
Dividends received	(6 556)	(6 263)	(5 787)	(6 348)
Net purchase of fixed assets	(321)	(163)	(146)	(47)
Net purchase of owner-occupied properties	(7)	(56)	(12)	(56)
Decrease / (Increase) in net working capital assets and liabilities	1 803	(2 216)	2 419	(2 180)
Cash (utilised)/generated in operations	(6 413)	(4 605)	350	(3 004)

35.2 Acquisition of subsidiaries and associated companies

During the year, various interests were acquired within the Group.

Investment in associated companies	(2 558)	(2 443)	-	-
The fair value of assets acquired via business combinations is as follows:				
Deferred acquisition costs	(22)	-	-	-
Deferred tax assets	(4)	-	-	-
Trade and other receivables	(48)	-	-	-
Cash, deposits and similar securities	(18)	-	-	-
Working capital liabilities	45	-	-	-
Non-controlling interest	1	-	-	-
Goodwill (note 3)	(109)	-	-	-
Total purchase consideration	(2 713)	(2 443)	-	-
Less: Cash, deposits and similar securities acquired	18	-	-	-
Net asset value contributed	8	-	-	-
Cash component of acquisition of subsidiaries and associated companies	(2 687)	(2 443)	-	-

35.3 Disposal of subsidiaries and associated companies

The fair value of assets disposed of was as follows:

Property and equipment	-	1	-	-
Investments	15	28	-	-
Trade and other receivables	4	-	-	-
Cash, deposits and similar securities	-	18	-	-
External investors in consolidated funds	-	(17)	-	-
Deferred tax liabilities	-	(2)	-	-
Working capital liabilities	(10)	(8)	-	-
Non-controlling interest	-	(9)	-	-
Goodwill	-	-	-	-
Investment in joint ventures	-	404	-	-
Investment in associates	-	(2)	-	-
Profit on disposal of subsidiaries and associated companies	26	62	-	-
Total disposal price	35	475	-	-
Less: Cash, deposits and similar securities disposed of	-	(18)	-	-
Cash component of disposal of subsidiaries and associated companies	35	457	-	-

35.4 Cash, deposits and similar securities

Working capital: Cash, deposits and similar securities	13 582	12 886	428	520
Investment cash	16 653	12 423	7 984	6 747
Total cash, deposits and similar securities	30 235	25 309	8 412	7 267

36. BUSINESS COMBINATIONS

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

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

36.2 Material acquisitions of the Group consolidated in the 2012 financial year

There were no material business combinations during the 2012 financial year.

	Group		Company	
	2013	2012	2013	2012
	R million	R million	R million	R million

37. NON-CURRENT ASSETS HELD FOR SALE

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.

37.1 Non-current assets classified as held for sale

Equities and similar securities	299	-		
Trade and other receivables	116	-		
	<u>415</u>	<u>-</u>		

38. SEGMENTAL INFORMATION
Group
38.1 Business segments

R million	Life insurance		Short-term insurance		Investment Management		Consolidation entries & IFRS adjustments		Policyholder activities		Total per Group Statement of Comprehensive Income	
	2013	2012	2013	2012	2013	2012	2013	Restated 2012	2013	2012	2013	Restated 2012
	Net income	28 183	29 166	17 877	16 901	1 805	1 369	(3 020)	(6 733)	50 837	45 246	95 682
Financial services income	20 061	17 063	17 140	16 106	1 794	1 350	2 746	3 082	-	-	41 741	37 601
Reinsurance premiums paid	-	-	-	-	-	-	(4 947)	(4 596)	-	-	(4 947)	(4 596)
Reinsurance commission received	-	-	-	-	-	-	675	583	-	-	675	583
Investment income	1 934	3 327	171	299	14	22	3 778	2 468	13 053	12 512	18 950	18 628
Investment surpluses	6 188	8 776	566	496	(3)	(3)	525	(3 533)	37 784	32 734	45 060	38 470
Finance cost - margin business	-	-	-	-	-	-	(22)	(10)	-	-	(22)	(10)
Change in fair value of external investors liability	-	-	-	-	-	-	(5 775)	(4 727)	-	-	(5 775)	(4 727)
Net insurance and investment contract benefits and claims	(6 286)	(5 575)	(11 607)	(10 680)	-	-	-	(1)	(50 012)	(44 281)	(67 905)	(60 537)
Long-term insurance contract benefits	(6 286)	(5 575)	(11 607)	(10 680)	-	-	10 795	9 906	(19 052)	(21 344)	(26 150)	(27 693)
Long-term investment contract benefits	-	-	-	-	-	-	-	-	(30 960)	(22 937)	(30 960)	(22 937)
Short-term insurance claims	-	-	-	-	-	-	(13 862)	(12 185)	-	-	(13 862)	(12 185)
Reinsurance claims received	-	-	-	-	-	-	3 067	2 278	-	-	3 067	2 278
Expenses	(8 149)	(7 513)	(4 737)	(4 410)	(1 096)	(1 000)	(1 541)	(1 231)	-	-	(15 523)	(14 154)
Sales remuneration	(2 946)	(2 681)	(2 122)	(2 023)	-	-	(632)	(578)	-	-	(5 700)	(5 282)
Administration costs	(5 203)	(4 832)	(2 615)	(2 387)	(1 096)	(1 000)	(909)	(653)	-	-	(9 823)	(8 872)
Impairment of investments and goodwill	-	(6)	(31)	(78)	-	-	-	-	-	-	(31)	(84)
Amortisation of intangibles	(50)	(55)	(81)	(43)	(2)	(1)	-	-	-	-	(133)	(99)
Net operating result	13 698	16 017	1 421	1 690	707	368	(4 561)	(7 965)	825	965	12 090	11 075
Equity-accounted earnings	-	8	87	76	12	16	1 026	463	-	-	1 125	563
Finance cost	-	-	-	-	-	-	(485)	(435)	-	-	(485)	(435)
Profit before tax	13 698	16 025	1 508	1 766	719	384	(4 020)	(7 937)	825	965	12 730	11 203
Taxation	(1 951)	(1 587)	(315)	(654)	(206)	(103)	186	(8)	(825)	(965)	(3 111)	(3 317)
Shareholders' fund	(1 951)	(1 587)	(315)	(654)	(206)	(103)	354	151	-	-	(2 118)	(2 193)
Policyholders' fund	-	-	-	-	-	-	(168)	(159)	(825)	(965)	(993)	(1 124)
Profit for the year	11 747	14 438	1 193	1 112	513	281	(3 834)	(7 945)	-	-	9 619	7 886
Attributable to:												
Shareholders' fund	11 312	14 164	679	656	476	233	(3 834)	(7 945)	-	-	8 633	7 108
Minority shareholders' interest	435	274	514	456	37	48	-	-	-	-	986	778
	11 747	14 438	1 193	1 112	513	281	(3 834)	(7 945)	-	-	9 619	7 886
Non-cash expenses/(income)	(5 794)	(8 470)	(367)	(311)	(4)	(7)	(1 551)	3 070	(37 784)	(32 734)	(45 500)	(38 452)
Depreciation	122	116	67	80	2	4	-	-	-	-	191	200
Bad debts	215	133	-	10	1	1	-	-	-	-	216	144
Share-based payments	7	4	107	50	-	-	-	-	-	-	114	54
Profit on disposal of subsidiaries, associates and joint ventures	(34)	-	19	(27)	-	(35)	(11)	-	-	-	(26)	(62)
Fair value adjustments	(6 154)	(8 776)	(585)	(469)	3	38	(514)	3 533	(37 784)	(32 734)	(45 034)	(38 408)
Amortisation of other intangibles	50	55	81	43	2	1	-	-	-	-	133	99
Impairment of investments and goodwill	-	6	31	78	-	-	-	-	-	-	31	84
Equity-accounted earnings	-	(8)	(87)	(76)	(12)	(16)	(1 026)	(463)	-	-	(1 125)	(563)
Segment revenue from other segments	-	-	-	-	-	-	-	-	-	-	-	-

38. SEGMENTAL INFORMATION (continued)

R million	Life insurance		Short-term insurance		Investment Management		Consolidation entries		Policyholder activities		Total per Group Statement of Financial Position	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
Total segment assets	50 677	42 859	22 714	19 670	3 377	2 691	1 118	1 695	424 312	377 359	502 198	444 274
Total segment liabilities	13 772	10 994	16 022	13 911	1 800	1 310	3 004	2 457	424 312	377 359	458 910	406 031
Total equity	36 029	31 865	6 692	5 759	1 577	1 381	(1 010)	(762)	-	-	43 288	38 243

38.2 Geographical segments

	2013 R million	2012 R million
Segment financial services income	41 741	37 601
South Africa	38 593	35 086
Africa	3 132	2 499
Other international	16	16
Non-current assets⁽²⁾	6 773	5 915
South Africa	6 434	5 625
Africa	339	290

⁽²⁾ Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired, deferred acquisition costs and non-current assets held for sale.

Life insurance segment comprise: Sanlam Personal Finance, Sanlam Employee Benefits and Sanlam Emerging Markets.

Clients are provided financial solutions in the entry-level, middle-income, affluent and self-employed markets in South Africa by Sanlam Personal Finance, to corporates and retirement funds by Sanlam Employee Benefits, and in the entry-level and middle-income markets in Africa, India and South-East Asia by Sanlam Emerging Markets.

Short-term insurance segment comprises: Santam.

Santam is South Africa's leading short-term insurer for personal, corporate, commercial and agricultural needs.

Investment Management segment comprises: Sanlam Investment Management.

Sanlam Investment Management manages financial assets for individual, institutional, retail and corporate clients and offers investment strategies in vehicles ranging from collective investments to institutional portfolios.

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

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

	Group		Company	
	2013 R million	2012 R million	2013 R million	2012 R million
39. Impairments				
Impairment of goodwill				
Santam businesses	5	35	-	-
Impairment of value of business acquired				
Sanlam Healthcare Management	-	6	-	-
Impairments of investments				
Santam businesses	26	43	-	-
Total impairments of investments, goodwill and value of business acquired for the year	31	84	-	-

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 instruments measured at fair value

Included in **level 1** category are financial assets and liabilities that are measured by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in **level 2** category are financial 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.

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

Group

R million	Level 1	Level 2	Level 3	Total
31 December 2013				
Properties	-	20	6 672	6 692
Equities and similar securities	153 505	1 640	1 656	156 801
Interest bearing investments	96 342	29 748	394	126 484
Structured transactions	3 160	8 742	38	11 940
Investment funds	103 290	14 742	459	118 491
Trading account assets	-	16 552	-	16 552
Cash deposits and similar securities	12 290	4 363	-	16 653
Total assets at fair value	368 587	75 807	9 219	453 613
Investment contract liabilities	-	191 575	767	192 342
Term finance	3 048	146	-	3 194
Margin business	3 048	-	-	3 048
Other interest bearing liabilities	-	146	-	146
Derivative liabilities	-	1 184	203	1 387
Trading account liabilities	-	9 427	-	9 427
External investors in consolidated funds	55 129	1 170	-	56 299
Total liabilities at fair value	58 177	203 502	970	262 649
R million	Level 1	Level 2	Level 3	Total
31 December 2012 - restated				
Properties	-	-	-	-
Equities and similar securities	126 445	1 387	1 762	129 594
Interest bearing investments	82 499	35 781	160	118 440
Structured transactions	1 278	13 459	122	14 859
Investment funds	79 132	12 182	353	91 667
Trading account assets	-	24 863	-	24 863
Cash deposits and similar securities	7 549	4 874	-	12 423
Total assets at fair value	296 903	92 546	2 397	391 846
Investment contract liabilities	-	158 624	652	159 276
Term finance	3 281	14	-	3 295
Margin business	3 121	-	-	3 121
Other interest bearing liabilities	160	14	-	174
Derivative liabilities	-	610	-	610
Trading account liabilities	-	16 362	-	16 362
External investors in consolidated funds	38 121	1 159	-	39 280
Total liabilities at fair value	3 281	158 638	652	162 571
Company				
R million	Level 1	Level 2	Level 3	Total
31 December 2013				
Properties	-	-	5 491	5 491
Equities and similar securities	69 151	653	220	70 024
Investment in subsidiaries, joint ventures and associates	14 168	-	54 192	68 360
Interest bearing investments	65 035	19 636	530	85 201
Structured transactions	2 119	6 579	-	8 698
Investment funds	136 447	13 946	403	150 796
Trading account assets	-	-	-	-
Cash deposits and similar securities	4 789	3 195	-	7 984
Total assets at fair value	291 709	44 009	60 836	396 554
Investment contract liabilities	-	166 363	-	166 363
Term finance	2 025	40	-	2 065
Margin business	2 025	-	-	2 025
Other interest bearing liabilities	-	40	-	40
Loans from subsidiaries	-	-	29 530	29 530
Total liabilities at fair value	2 025	166 403	29 530	197 958

40. FAIR VALUE DISCLOSURES (Continued)

Determination of fair value and fair value hierarchy (continued)

Company (continued)

R million	Level 1	Level 2	Level 3	Total
31 December 2012 - restated				
Properties	-	-	-	-
Equities and similar securities	61 770	854	75	62 699
Investment in subsidiaries, joint ventures and associates	12 963	-	52 497	65 460
Interest bearing investments	53 200	26 899	471	80 570
Structured transactions	379	10 096	84	10 559
Investment funds	107 847	11 504	353	119 704
Trading account assets	-	-	-	-
Cash deposits and similar securities	4 240	2 507	-	6 747
Total assets at fair value	240 399	51 860	53 480	345 739
Investment contract liabilities	-	133 857	-	133 857
Term finance	2 137	-	-	2 137
Margin business	2 087	-	-	2 087
Other interest bearing liabilities	50	-	-	50
Loans from subsidiaries	-	-	32 339	32 339
Total liabilities at fair value	2 137	133 857	32 339	168 333

Group

Reconciliation of movements in level 3 financial instruments measured at fair value

R million

31 December 2013

Financial assets	Properties	Structured transactions	Equities and similar securities	Interest bearing investments	Investment Funds	Total financial assets
Balance at 1 January 2013	-	122	1 762	163	353	2 400
Adjusted due to IFRS 13	8 419	-	-	-	-	8 419
Total gains/(loss) in statement of comprehensive income	440	6	1 283	92	6	1 827
Acquisitions/Issues	-	-	233	160	56	449
Disposals	(2 227)	(90)	(1 625)	(34)	(11)	(3 987)
Settlements	-	-	-	(13)	-	(13)
Foreign exchange movements	58	-	3	26	-	87
Transfers to level 1 and level 2	(18)	-	-	-	55	37
Balance at 31 December 2013	6 672	38	1 656	394	459	9 219

Financial liabilities	Investment contract liabilities	Derivative liabilities	Total financial liabilities
Balance at 1 January 2013	652	-	652
Total gains/(loss) in statement of comprehensive income	113	197	310
Acquisitions	151	6	157
Issues	160	-	160
Disposals	(337)	-	(337)
Foreign exchange movements	28	-	28
Balance at 31 December 2013	767	203	970

There were no transfers between level 1 and level 2 during 2013.

Financial assets	Structured transactions	Equities and similar securities	Interest bearing investments	Investment Funds	Total financial assets
Balance at 1 January 2012	89	2 147	461	659	3 356
Total gains/(loss) in statement of comprehensive income	11	(122)	(52)	34	(129)
Acquisitions	103	129	30	12	274
Disposals	(81)	(356)	(276)	(352)	(1 065)
Foreign exchange movements	-	38	-	-	38
Transfers from level 1 and level 2	-	(74)	-	-	(74)
Balance at 31 December 2012	122	1 762	163	353	2 400

40. FAIR VALUE DISCLOSURES (Continued)

Group (continued)

Reconciliation of movements in level 3 financial instruments measured at fair value (continued)

R million

31 December 2012

	Investment contract liabilities	Total financial liabilities
Financial liabilities		
Balance at 1 January 2012	752	752
Total gains/(loss) in statement of comprehensive income	126	126
Acquisitions	128	128
Disposals	(354)	(354)
Balance at 31 December 2012	652	652

Company

Reconciliation of movements in level 3 financial instruments measured at fair value

R million

31 December 2013

	Properties	Structured transactions	Equities and similar securities	Interest bearing investments	Investment funds	Investment in subsidiaries, joint ventures and associates	Total financial assets
Financial assets							
Balance at 1 January 2013	-	84	75	471	353	52 497	53 480
Adjustment due to IFRS 13	7 392	-	-	-	-	-	7 392
Total gains/(loss) in statement of comprehensive income	315	-	145	89	5	1 695	2 249
Acquisitions	-	-	-	-	56	-	56
Disposals	(2 216)	(84)	-	(30)	(11)	-	(2 341)
Balance at 31 December 2013	5 491	-	220	530	403	54 192	60 836

Financial liabilities

Balance at 1 January 2013

Net issues

Balance at 31 December 2013

31 December 2012

	Loans from subsidiaries	Total financial liabilities
Balance at 1 January 2013	32 339	32 339
Net issues	(2 809)	(2 809)
Balance at 31 December 2013	29 530	29 530

	Properties	Structured transactions	Equities and similar securities	Interest bearing investments	Investment funds	Investment in subsidiaries, joint ventures and associates	Total financial assets
Financial assets							
Balance at 1 January 2012	-	62	205	540	659	46 890	48 356
Total gains/(loss) in statement of comprehensive income	-	-	(130)	(71)	34	5 605	5 438
Acquisitions	-	103	-	6	12	2	123
Disposals	-	(81)	-	(4)	(352)	-	(437)
Balance at 31 December 2012	-	84	75	471	353	52 497	53 480

Financial liabilities

Balance at 1 January 2012

Net issues

Balance at 31 December 2012

31 December 2012

	Loans from subsidiaries	Total financial liabilities
Balance at 1 January 2012	31 659	31 659
Net issues	680	680
Balance at 31 December 2012	32 339	32 339

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

R million

Total gains or losses included in profit or loss for the period

Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period

Transfers between categories

R million

	Group		Company	
	2013	2012	2013	2012
Total gains or losses included in profit or loss for the period	1 519	411	5 058	4 758
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	1 007	287	5 058	4 758

	Properties	Equities and similar securities	Interest bearing investments	Structured transactions	Cash, deposits and similar securities	Total financial assets
Financial assets						
Group						
2013						
Transfer from level 1 to level 2	-	-	-	2	-	2
Transfer from level 2 to level 1	-	-	-	-	25	25
2012						
Transfer from level 1 to level 2	-	-	103	-	59	162
Transfer from level 2 to level 1	-	-	-	-	-	-

40. FAIR VALUE DISCLOSURES (Continued)

Transfers between categories

R million

Financial assets	Properties	Equities and similar securities	Interest bearing investments	Structured transactions	Cash, deposits and similar securities	Total financial assets
Company						
2013						
Transfer from level 1 to level 2	-	-	-	-	-	-
Transfer from level 2 to level 1	-	-	-	-	-	-
2012						
Transfer from level 1 to level 2	-	-	-	-	-	-
Transfer from level 2 to level 1	-	-	-	-	-	-

Valuation techniques used in determining the fair value of financial instruments

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
Investment in subsidiaries, joint ventures and associates	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
Structured transactions and investment funds	2	Quoted (exit) price provided by fund manager	n/a	n/a
Trading account assets and liabilities	2	DCF	Forward rate Credit risk spread Liquidity spread	n/a
Investment contract liabilities	2	Current unit price of underlying unlisted financial asset, multiplied by the number of units held DCF	n/a Bond interest rate curves	n/a n/a
Term finance	2	DCF	Bond & Forward rate Credit ratings of issuer Liquidity spread Agreement interest curves	Liquidity spread
Derivative 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	Risk adjustments

40. FAIR VALUE DISCLOSURES (Continued)

Sensitivity of level 3 financial instruments measured at fair value to changes in key assumption

Group

Financial Assets

R million	Carrying amount (1)	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount (2)	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base / capitalisation rate
Properties						
2013						
Cashflow risk adjustments	6 672	(667)	667	-	-	-
Cost of Capital				6 672	(255)	272
Capitalisation				6 672	(354)	432
R million						
Other investments						
2013						
Equities and similar securities	1 098	110	(110)	558	(6)	6
Investment Funds	459	46	(46)	-	-	-
Interest bearing investments	345	35	(35)	49	(12)	14
Structured transactions	38	4	(4)	-	-	-
Other investments	1 940	195	(195)	607	(18)	20
2012						
Other investments						
Equities and similar securities	1 762	176	(176)	-	-	-
Investment Funds	353	35	(35)	-	-	-
Interest-bearing investments	-	-	-	160	(2)	2
Structured transactions	122	12	(12)	-	-	-
Other investments	2 237	223	(223)	160	(2)	2

Financial Liabilities

R million	Carrying amount (1)	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount (2)	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
2013						
Investment contract liabilities	494	49	(49)	273	(8)	8
Derivative liabilities	-	-	-	203	(37)	14
Financial liabilities	494	49	(49)	476	(45)	22
2012						
Investment contract liabilities	652	65	(65)	-	-	-
Financial liabilities	652	65	(65)	-	-	-

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

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

Company

31 December 2013

R million	Carrying amount (1)	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount (2)	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base / capitalisation rate
Properties						
2013						
Cashflow risk adjustments	5 491	(549)	549	-	-	-
Cost of Capital				5 491	(230)	246
Capitalisation				5 491	(306)	374
R million						
Other investments						
2013						
Equities and similar securities	184 (1)	18	(18)	36	(2)	2
Interest bearing investments	481	48	(48)	49	(12)	14
Investment in subsidiaries, joint ventures and associates	3 246 (2)	888	(113)	50 946	(850)	1 101
Investment funds	403	40	(40)	-	-	-
Structured transactions	-	-	-	-	-	-
Financial assets	4 314	994	(219)	51 031	(864)	1 117
Other investments						
2012						
Equities and similar securities	57 (1)	5	(5)	18	(2)	2
Interest bearing investments	305	9	(9)	166	(15)	15
Investment in subsidiaries, joint ventures and associates	2 946 (2)	328	(574)	49,551	(410)	532
Investment funds	353	35	(35)	-	-	-
Structured transactions	84	-	-	-	-	-
Financial assets	3 745	377	(623)	49 735	(427)	549

(1) Represents mainly private equity investments valued on earnings multiple, with sensitivities based on changes in earnings.

(2) Investment management subsidiaries are valued at a P/AUM ratio, subsidiaries that conduct life insurance business are valued at embedded value and other subsidiaries are valued at DCF. Sensitivities for life insurance subsidiaries have been calculated as a 1% increase/decrease of the rate that is used to discount the value of in-force business.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements
Group
31 December 2013

R million	Gross amounts of recognised financial instruments set-off in the statement of financial position			Related amounts not set off in the statement of financial position			Amounts not set off in the statement of financial position	Total amounts recognised in the statement of financial position
	Gross amounts of recognised financial instruments	Net amounts of financial instruments presented in the statement of financial position	Other Financial instruments ①	* Cash collateral received	Net amount			
Financial Assets								
Trading account assets	14 883	(68)	14 815	-	-	14 815	1 737	16 552
Structured Transactions	4 078	(1 494)	2 584	-	-	2 584	9 356	11 940
Financial Liabilities								
Trading account liabilities	9 760	(333)	9 427	-	-	9 427	-	9 427
Structured Transactions	2 049	(3 140)	(1 091)	-	-	(1 091)	2 478	1 387

① The figures for other financial instruments column are made up of ISDA netting, CSA Collateral, Repo's and Script Received. These amounts have been limited to the net amount recognised on
* Amount used is the lower of collateral received or the value of the financial assets (normally latter as they over-collateralise)
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) are have been signed with derivative counterparties to place collateral to offset the net exposures in point 1.
Scrip lending agreements are governed by GMSLA agreements in terms of which the collateral provided and the scrip received can be netted.
Security / Collateral received refers to equity collateral that that has been pledged to SCM to cover events of default.

Group
31 December 2012

R million	Gross amounts of recognised financial instruments set-off in the statement of financial position			Related amounts not set off in the statement of financial position			Amounts not set off in the statement of financial position	Total amounts recognised in the statement of financial position
	Gross amounts of recognised financial instruments	Net amounts of financial instruments presented in the statement of financial position	Other Financial instruments ①	* Cash collateral received	Net amount			
Financial Assets								
Trading account assets	25 941	(2 202)	23 739	-	-	23 739	1 124	24 863
Structured Transactions	5 371	(2 063)	3 308	-	-	3 308	11 551	14 859
Financial Liabilities								
Trading account liabilities	15 897	-	15 897	-	-	15 897	465	16 362
Structured Transactions	1 392	(2 002)	(610)	-	-	(610)	1 220	610

① The figures for other financial instruments column are made up of ISDA netting, CSA Collateral, Repo's and Script Received. These amounts have been limited to the net amount recognised on the statement of financial position.
* Amount used is the lower of collateral received or the value of the financial assets (normally latter as they over-collateralise)
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) are have been signed with derivative counterparties to place collateral to offset the net exposures in point 1.
Scrip lending agreements are governed by GMSLA agreements in terms of which the collateral provided and the scrip received can be netted.
Security / Collateral received refers to equity collateral that that has been pledged to SCM to cover events of default.

Company
31 December 2013

R'million	Gross amounts of recognised financial instruments set-off in the statement of financial position			Related amounts not set off in the statement of financial position			Amounts not set off in the statement of financial position	Total amounts recognised in the statement of financial position
	Gross amounts of recognised financial instruments	Net amounts of financial instruments presented in the statement of financial position	Other Financial instruments ①	* Cash collateral received	Net amount			
Financial Assets								
Structured Transactions	4 078	(1 494)	2 584	-	-	2 584	6 114	8 698
Financial Liabilities								
Structured Transactions	2 049	(3 140)	(1 091)	-	-	(1 091)	2 182	1 091

31 December 2012

R million	Gross amounts of recognised financial instruments set-off in the statement of financial position			Related amounts not set off in the statement of financial position			Amounts not set off in the statement of financial position	Total amounts recognised in the statement of financial position
	Gross amounts of recognised financial instruments	Net amounts of financial instruments presented in the statement of financial position	Other Financial instruments ①	* Cash collateral received	Net amount			
Financial Assets								
Structured Transactions	5 371	(2 063)	3 308	-	-	3 308	7 251	10 559
Financial Liabilities								
Structured Transactions	1 392	(2 002)	(610)	-	-	(610)	1 220	610

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

41. SUBSEQUENT EVENTS

No material facts or circumstances have arisen between the date of the balance sheets and this report which materially affects the financial position of the Sanlam Life Group at 31 December 2013 as reflected in these financial statements.

42. RESTATEMENTS

The application of IFRS 10 has led to certain investments in investment funds being consolidated affecting investment assets and various income and expense items. In addition, the alignment of the investment classes to SAM asset classes has resulted in reclassification within investment assets. Comparative information, including relevant notes has been restated.

Group

Statement of financial position

R million	31 December 2012			Restated
	Previously reported	SAM investment category alignment	IFRS 10 adoption	
Assets				
Investments	358 965	-	16 624	375 589
Properties	15 636	(7 232)	-	8 404
Equities and similar securities	191 625	(70 535)	8 504	129 594
Interest-bearing investments	96 751	10 597	11 294	118 642
Structured transactions	-	14 599	260	14 859
Investment funds	-	96 025	(4 358)	91 667
Cash, deposits and similar securities	54 953	(43 454)	924	12 423
Other assets	13 927	-	-	13 927
Working capital assets	24 094	-	30 664	54 758
Trade and other receivables	12 814	-	29 058	41 872
Cash, deposits and similar securities	11 280	-	1 606	12 886
Total assets	396 986	-	47 288	444 274
Equity and Liabilities				
Capital and reserves				
Shareholders' fund	35 342	-	-	35 342
Non-controlling interest	2 901	-	-	2 901
Total equity	38 243	-	-	38 243
External investors in consolidated funds	20 624	-	18 656	39 280
Other liabilities	322 880	-	-	322 880
Working capital liabilities	15 239	-	28 632	43 871
Trade and other payables	15 239	-	28 632	43 871
Total equity and liabilities	396 986	-	47 288	444 274

R million	1 January 2012			Restated
	Previously reported	SAM investment category alignment	IFRS 10 adoption	
Assets				
Investments	308 921	-	16 685	325 606
Properties	13 357	(5 533)	-	7 824
Equities and similar securities	156 124	(57 355)	8 520	107 289
Interest-bearing investments	88 914	8 194	11 192	108 300
Structured transactions	-	13 607	312	13 919
Investment funds	-	79 811	(4 401)	75 410
Cash, deposits and similar securities	50 526	(38 724)	1 062	12 864
Other assets	12 298	-	-	12 298
Working capital assets	20 604	-	21 318	41 922
Trade and other receivables	11 563	-	19 913	31 476
Cash, deposits and similar securities	9 041	-	1 405	10 446
Total assets	341 823	-	38 003	379 826
Equity and Liabilities				
Capital and reserves				
Shareholders' fund	31 124	-	-	31 124
Non-controlling interest	2 965	-	-	2 965
Total equity	34 089	-	-	34 089
External investors in consolidated funds	13 115	-	18 472	31 587
Other liabilities	312 323	-	-	312 323
Working capital liabilities	16 385	-	19 531	35 916
Trade and other payables	16 385	-	19 531	35 916
Total equity and liabilities	341 823	-	38 003	379 826

42. RESTATEMENTS (continued)

Statement of comprehensive income

R million	31 December 2012		
	Previously reported	IFRS 10 adoption	Restated
Net income			
Financial services income	37 603	(2)	37 601
Investment income	16 867	1 761	18 628
Investment surpluses	37 557	913	38 470
Change in fair value of external investors' liability	(2 523)	(2 204)	(4 727)
Expenses			
Administration costs	(8 514)	(358)	(8 872)
Finance cost - other	(297)	(138)	(435)
Taxation			
Policyholders' fund	(1 135)	11	(1 124)

Cashflow statement

R million	31 December 2012		
	Previously reported	IFRS 10 adoption	Restated
Net cash flow from operating activities			
Cash utilised in operations	(818)	(3 787)	(4 605)
Interest and preference share dividends received	9 542	1 472	11 014
Interest paid	(324)	(121)	(445)
Taxation paid	(2 123)	11	(2 112)
Net cash flow from investment activities			
Net disposal/(acquisition) of investments	411	(2 537)	(2 126)
Net increase in cash and cash equivalents			
Cash, deposits and similar securities at the beginning of the period	59 563	(36 253)	23 310

Company

Statement of financial position

R million	31 December 2012			
	Previously reported	IFRS 10 adoption	SAM investment category alignment	Restated
Assets				
Investments	353 377	-	-	353 377
Properties	12 615	-	(5 223)	7 392
Equities and similar securities	134 784	-	(72 085)	62 699
Investments in subsidiaries, joint ventures and associates	90 780	-	(25 320)	65 460
Interest-bearing investments	74 403	-	6 413	80 816
Structured transactions	-	-	10 559	10 559
Investment funds	-	-	119 704	119 704
Cash, deposits and similar securities	40 795	-	(34 048)	6 747
Other assets	4 154	-	-	4 154
Working capital assets	7 158	-	-	7 158
Trade and other receivables	6 638	-	-	6 638
Cash, deposits and similar securities	520	-	-	520
Total assets	364 689	-	-	364 689
Equity and Liabilities				
Capital and reserves				
Shareholders' fund	54 259	-	-	54 259
Non-controlling interest	-	-	-	-
Total equity	54 259	-	-	54 259
External investors in consolidated funds	-	-	-	-
Other liabilities	301 879	-	-	301 879
Working capital liabilities	8 551	-	-	8 551
Trade and other payables	8 551	-	-	8 551
Total liabilities	364 689	-	-	364 689

42. RESTATEMENTS (continued)

R million	1 January 2012			Restated
	Previously reported	IFRS 10 adoption	SAM investment category alignment	
Assets				
Investments	307 654	-	-	307 654
Properties	11 413	-	(4 321)	7 092
Equities and similar securities	113 459	-	(58 732)	54 727
Investments in subsidiaries, associates and joint ventures	77 337	-	(20 360)	56 977
Interest-bearing investments	68 173	-	7 387	75 560
Structured transactions	-	-	9 562	9 562
Investment funds	-	-	98 163	98 163
Cash, deposits and similar securities	37 272	-	(31 699)	5 573
Other assets	5 385	-	-	5 385
Working capital assets	7 182	-	-	7 182
Trade and other receivables	6 824	-	-	6 824
Cash, deposits and similar securities	358	-	-	358
Total assets	320 221	-	-	320 221
Equity and Liabilities				
Capital and reserves				
Shareholders' fund	44 111	-	-	44 111
Non-controlling interest	-	-	-	-
Total equity	44 111	-	-	44 111
External investors in consolidated funds	-	-	-	-
Other liabilities	265 299	-	-	265 299
Working capital liabilities	10 811	-	-	10 811
Trade and other payables	10 811	-	-	10 811
Total equity and liabilities	320 221	-	-	320 221

Cashflow statement

R million	31 December 2012		
	Previously reported	SAM investment category alignment	Restated
Net cash flow from operating activities			
Cash utilised in operations	(3 004)	-	(3 004)
Interest and preference share dividends received	6 884	-	6 884
Interest paid	(1 191)	-	(1 191)
Dividends received	6 355	-	6 355
Dividends paid	(2 800)	-	(2 800)
Taxation paid	(1 129)	-	(1 129)
Net cash flow from investment activities			
Net disposal/(acquisition) of investments	(2 430)	(2 349)	(4 779)
Net increase in cash and cash equivalents			
Cash, deposits and similar securities at the beginning of the period	37 630	(31 699)	5 931

Sanlam Life Insurance Limited
Principal Subsidiaries
at 31 December 2013

	Country of incorporation	% interest	Fair value of interest in subsidiaries +			
			Shares		Loans *	
			2013 R million	2012 R million	2013 R million	2012 R million
Investment companies						
U.R.D. Beleggings (Pty) Limited	RSA	100	21 652	21 813	(20 039)	(20 401)
Sanlam Universal Fund plc	Ireland	(1)	-	25 323	-	-
Status Beleggings (Pty) Limited	RSA	100	406	389	(406)	(289)
Property investment company						
Anson Holdings (Pty) Limited	RSA	100	-	-	26 ** ^	16 ** ^
Jane Furse Plaza (Pty) Limited	RSA	70	209	178	(21)	(23)
Rycklof Beleggings (Pty) Limited	RSA	100	1 486	1 487	(1 462)	(1 462)
Acornhoek Plaza Share Block (Pty) Limited	RSA	68	205	181	(35)	(46)
Kwagga Plaza Share Block (Pty) Limited	RSA	55	175	154	(18)	(6)
Speculation company in negotiable securities						
Edimed (Pty) Ltd	RSA	100	75	75	33	68
Asset Management						
Sanlam Investment Management (Pty) Limited	RSA	100	3 246	2 946	265	86
Credit provider						
Anglo African Finance (Pty) Limited	RSA	65	66	39	-	-
Linked Investment Service Provider						
Sanlam Linked Investments (Pty) Limited	RSA	100	-	-	99 **	89 **
Trust services						
Sanlam Trust (Pty) Limited	RSA	100	258	223	(28)	(23)
Administration Services						
Completemed Healthcare Consultants (Pty) Ltd	RSA	100	2	-	-	-
Sanlam Healthcare Management (Pty) Limited	RSA	100	88	77	-	-
Infinet Group Risk Solutions (Pty) Limited	RSA	100	30	103	-	-
Life Insurance						
Safrican Insurance Company Limited	RSA	100	494	-	29	-
Sanlam Life Namibia Limited	Namibia	100	1 414	1 207	28	67
Sanlam Namibia Holdings Limited	Namibia	(2)	491	441	-	-
Sanlam Customised Insurance Limited	RSA	100	19	16	(19)	-
Sanlam Developing Markets Limited	RSA	100	8 898	7 293	508	466
Channel Life Limited	RSA	100	1 010	1 399	10	7
Sanlam Emerging Markets (Pty) Limited	RSA	100	4 363	118	90	2 600
Short-term insurance						
Santam Limited	RSA	58	12 883	12 963	-	-
Dormant companies						
Sankorp (Pty) Limited	RSA	100	701	701	(701)	(385)
Sanlam ou Sankorp (Pty) Limited	RSA	100	-	2 556	-	(2 872)
Electra Investments (South Africa) (Pty) Limited	RSA	100	6 306	6 306	(6 306)	(6 306)
Electra Share Ventures (Pty) Limited	RSA	100	532	532	(532)	(532)
Other			-	-	48	51
Total			65 009	86 520	(28 431)	(28 895)

(1) In 2012, Sanlam Life Insurance Ltd held indirectly 60% interest in Sanlam Universal Fund plc.

(2) Sanlam Life Insurance Ltd holds indirectly 54% interest in Sanlam Namibia Holdings Ltd.

A register of all subsidiary companies is available for inspection at the registered office of Sanlam Life Insurance Limited. All investments above, except Santam, are unlisted.

+ All subsidiaries are reflected at directors' valuation as approved by the Sanlam Non-listed Asset Controlling Body.

* Except for Anson Holdings (Proprietary) Limited, loans are unsecured and not subject to any fixed terms of repayment. No interest is charged but these arrangements are subject to revision from time to time.

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

^ Loans are unsecured and not subject to any fixed terms of repayment. Interest is charged at rates which are agreed from time to time.

Principal Subsidiaries (continued)

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

	Santam Limited		Botswana Insurance Holdings Limited	
	2013	2012	2013	2012
	%	%	%	%
Santam Limited - South Africa				
Shareholder's fund	59,34	59,58	55,46	50,25
Policyholder's fund	1,80	0,29	2,11	3,46
Non-controlling interest	38,86	40,13	42,43	46,29
Total	100,00	100,00	100,00	100,00

The financial information of Botswana Insurance Holdings Limited and Santam Limited which has a material non-controlling interest has been summarised below. The information is provided based on amounts before intercompany eliminations:

R million	2013	2012	2013	2012
Summarised statement of profit or loss for the year ending 31 December:				
Net income	18,507	17,426	5,733	3,413
Net insurance and investment contract benefits and claims	(11,512)	(10,642)	(4,658)	(2,538)
Expenses	(5,567)	(5,167)	(620)	(558)
Share of profit of associates and joint ventures	78	74	220	317
Profit before tax	1,506	1,691	675	634
Income tax	(300)	(625)	(99)	(100)
Profit for the year	1,206	1,066	576	534
Total comprehensive income	1,347	1,090	602	546
Attributable to non-controlling interests	571	465	244	253
Dividends paid to non-controlling interests	340	689	45	74

Summarised statement of financial position as at 31 December 2013:

Assets				
Investments	8,858	7,783	15,834	15,841
Other non-current assets	1,352	1,268	209	183
Non-current assets held for sale	415	-	-	-
Other current assets	-	-	7	10
Cash and cash equivalents (current)	6,445	6,266	705	844
Trade and other receivables (current)	2,730	2,007	326	223
Liabilities				
Policyholder liabilities	-	-	(13,514)	(14,382)
Other non-current liabilities	(2,039)	(1,722)	-	-
Deferred tax (non-current)	(135)	(63)	(29)	(20)
Other current liabilities	(8,330)	(7,830)	(42)	(21)
Trade and other payables (current)	(2,622)	(1,982)	(531)	(483)
Total equity	6,674	5,727	2,965	2,195
Attributable to:				
Equity holders of the parent	3,941	3,541	1,707	1,187
Non-controlling interest	2,733	2,186	1,258	1,008

Summarised statement of cash flows for the year ending 31 December 2013:

Operating	1,277	1,735	(4,955)	2,144
Investing	(1,175)	755	4,625	(2,795)
Financing	(358)	(1,640)	-	-
Net increase/(decrease) in cash and cash equivalents	(256)	850	(330)	(651)

Sanlam Life Insurance Limited
Related Parties
for the year ended 31 December 2013

Company Name	% interest held by Sanlam Life Insurance Ltd in company⁽¹⁾	Country of registration
SUBSIDIARIES*		
Acornhoek Plaza Share Block (Pty) Ltd	68%	RSA
Anglo African Finance (Pty) Ltd	55%	RSA
Anson Holdings (Pty) Ltd	100%	RSA
Channel Life Ltd	100%	RSA
Completemed Healthcare Consultants (Pty) Ltd	100%	RSA
Coris Capital Holdings (Pty) Ltd	100%	RSA
Echelon Distribution Services (Pty) Ltd	100%	RSA
Edimed (Pty) Ltd	100%	RSA
Electra Investments (South Africa) (Pty) Ltd	100%	RSA
Electra Share Ventures (Pty) Ltd	100%	RSA
Giyani Plaza Share Block (Pty) Ltd	100%	RSA
Infinet Group Risk Solutions (Pty) Ltd	100%	RSA
Jane Furse Plaza (Pty) Ltd	70%	RSA
Kwagga Plaza Share Block (Pty) Ltd	55%	RSA
Phoenix Industriële Park (Pty) Ltd	100%	RSA
Rheezicht Investments (Pty) Ltd	100%	RSA
Rycklof-Beleggings (Pty) Ltd	100%	RSA
Safrican Insurance Company Ltd	100%	RSA
Sankorp (Pty) Ltd	100%	RSA
Sanlam Customised Insurance Ltd	100%	RSA
Sanlam Developing Markets Ltd	100%	RSA
Sanlam Emerging Markets (Pty) Ltd	100%	RSA
Sanlam Endowment Options (Pty) Ltd	100%	RSA
Sanlam Fundshares Nominee (Pty) Ltd	100%	RSA
Sanlam Healthcare Distribution Services (Pty) Ltd	100%	RSA
Sanlam Healthcare Management (Pty) Ltd	100%	RSA
Sanlam Home Solutions (Pty) Ltd	100%	RSA
Sanlam Investment Management (Pty) Ltd	100%	RSA
Sanlam Life Namibia Ltd	100%	Namibia
Sanlam Linked Investments (Pty) Ltd	100%	RSA
Sanlam Namibia Holdings Ltd	54%	Namibia
Sanlam Share Account Nominee (Pty) Ltd	100%	RSA
Sanlam STI Administration (Pty) Ltd	100%	RSA
Sanlam Swaziland (Pty) Ltd	100%	Swaziland
Sanlam Trust (Pty) Ltd	100%	RSA
Sanlam Umbrella Fund Administrators (Pty) Ltd	100%	RSA
San Lameer (Pty) Ltd	100%	RSA
Santam Ltd	58%	RSA
Solutions Service Provider for Alfinanz (Pty) Ltd	50%	RSA
Status Beleggings (Pty) Ltd	100%	RSA
Succession Financial Planning Advisory Services (Pty) Ltd	100%	RSA
U.R.D. Beleggings (Pty) Ltd	100%	RSA
ASSOCIATES*		
IFAnet Independent Distribution Services (Pty) Ltd	24%	RSA
Letshego Holdings Ltd	23%	BOT
Shriram Transport Finance Company Limited	5%	India
JOINT VENTURES*		
Sanlam Personal Loans (Pty) Ltd	70%	RSA

*Percentage interest held directly by the company

Company Name	% interest held by Sanlam Life Insurance Ltd in company	Country of registration
INVESTMENT VEHICLES		
Sanlam Global Fund of Hedge Funds	99%	Ireland
Sanlam Global Fund of Hedge Funds Designated Class A	99%	Ireland
Blue Ink Global Circa Fund PLC	100%	Ireland
Blue Ink Equity LS Aggressive Fund	97%	Ireland
Blue Ink Portable Alpha Fund	100%	Ireland
Blue Ink Fixed Income Arbitrage Fund	100%	Ireland
Yellowwood Fund	100%	Ireland
SIM HedgeCo (Pty) Ltd	37%	RSA
Satrix FINI Portfolio	45%	RSA
Satrix 40 Portfolio	31%	RSA
First Avenue Sanlam Collective Investments Equity Fund	81%	RSA
Glacier Money Market Fund	43%	RSA
Graviton SCI Balanced Fund	30%	RSA
Graviton SCI Capital Growth Fund	40%	RSA
Graviton SCI Flexible Income Fund	68%	RSA
Graviton SCI Low Equity Fund	66%	RSA
Sanlam Namibia Active Fund	45%	Namibia
Sanlam Namibia General Equity Fund	43%	Namibia
Sanlam Namibia Global Fund	58%	Namibia
Sanlam Namibia Inflation Linked fund	49%	Namibia
Sanlam Namibia Money Market Fund	54%	Namibia
Sanlam Namibia Value Fund	56%	Namibia
Sanlam All Share Index Fund	70%	RSA
Sanlam Bond Index Fund	47%	RSA
Sanlam Diversified Income Fund of Funds	40%	RSA
Sanlam Global Balanced Fund of Funds	49%	RSA
Sanlam Global Cautious Fund of Funds	20%	RSA
Sanlam Global Index Fund of Funds	89%	RSA
Sanlam Growth Institutional Fund	95%	RSA
Sanlam Institutional Special Opportunities Fund	89%	RSA
Sanlam Multi Managed Aggressive Fund of Funds	62%	RSA
Sanlam Multi Managed Cautious Fund of Funds	70%	RSA
Sanlam Multi Managed Conservative Fund of Funds	56%	RSA
Sanlam Multi Managed Equity Fund	58%	RSA
Sanlam Multi Managed Equity Index Fund	92%	RSA
Sanlam Multi Managed Inflation Linked Bond Fund	78%	RSA
Sanlam Multi Managed Institutional Absolute Solution 5 Fund of Funds	24%	RSA
Sanlam Multi Managed Institutional All Bond Fund One	86%	RSA
Sanlam Multi Managed Institutional All Bond Fund Three	77%	RSA
Sanlam Multi Managed Institutional Balanced Fund of Funds	34%	RSA
Sanlam Multi Managed Institutional Bond Fund	88%	RSA
Sanlam Multi Managed Institutional Equity Fund of Funds	24%	RSA
Sanlam Multi Managed Institutional General Equity Fund One	100%	RSA
Sanlam Multi Managed Institutional General Equity Fund Two	95%	RSA
Sanlam Multi Managed Institutional Long-Term Growth Solution 7 Fund of Funds	20%	RSA
Sanlam Multi Managed Institutional Positive Return Fund One	47%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Two	55%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Three	49%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Four	48%	RSA
Sanlam Multi Managed Institutional Protection Solution 3 Fund of Funds	33%	RSA
Sanlam Multi Managed Institutional Prudential Balanced Fund One	58%	RSA
Sanlam Multi Managed Institutional Prudential Income Provider Fund One	100%	RSA
Sanlam Multi Managed Institutional Prudential Income Provider Fund Two	66%	RSA
Sanlam Multi Managed Institutional Prudential Low Equity One	100%	RSA
Sanlam Multi Managed Moderate Aggressive Fund of Funds	56%	RSA
Sanlam Multi Managed Moderate Fund of Funds	69%	RSA
Sanlam Multi Managed Property Fund	76%	RSA
Sanlam Multi Managed Yield Plus Fund	76%	RSA

Sanlam Optimised Income Fund	82%	RSA
Sanlam Stable Growth Fund	97%	RSA
Sanlam Value Institutional Fund	100%	RSA
SIM Absolute Return Income Fund	42%	RSA
SIM Active Income Fund	27%	RSA
SIM Balanced Fund	47%	RSA
SIM Equally Weighted Top40 Index Fund	22%	RSA
SIM Inflation Plus Fund	29%	RSA
SIM Low Equity Fund	35%	RSA
SIM Managed Aggressive Fund of Funds	71%	RSA
SIM Managed Cautious Fund of Funds	71%	RSA
SIM Managed Conservative Fund of Funds	46%	RSA
SIM Managed Moderate Aggressive Fund of Funds	59%	RSA
SIM Managed Moderate Fund of Funds	73%	RSA
SIM Market Allocator Fund	99%	RSA
SIM Property Fund	63%	RSA
SIM Small Cap Fund	31%	RSA
SIM Value Fund	27%	RSA
Sanlam BIFM Global Fixed Income Fund	100%	Ireland
Sanlam BIFM World Equity Fund	42%	Ireland
Sanlam Global Bond Fund (formerly Sanlam Universal Bond Fund)	43%	Ireland
Sanlam Emerging Market Equity Tracker Fund	48%	Ireland
Sanlam World Equity Fund (formerly Sanlam Universal Equity Fund)	82%	Ireland
Sanlam Europe (ex UK) Equity Tracker Fund	70%	Ireland
Four Active European (Ex UK) Equity Fund	56%	Ireland
Four Active Global Income and Growth Fund	36%	Ireland
Sanlam Global Balanced Fund	95%	Ireland
Sanlam North America Equity Tracker Fund	89%	Ireland
Sanlam Global Equity Fund	100%	Ireland
Sanlam African Frontier Markets Fund	58%	Ireland
8IP Asia Equity Opportunities Fund	59%	Ireland
8IP Asia Pacific Equity Fund	64%	Ireland
Sanlam Drexel Hamilton Multi-Asset Real Return Feeder Fund	100%	Ireland
Sanlam Equity Allocation Fund	95%	Ireland
Sanlam Euro Liquidity Fund	100%	Ireland
Sanlam Sterling Liquidity Fund	100%	Ireland
Sanlam Global Best Ideas Universal Fund	52%	Ireland
Sanlam Global Best Ideas Fund	95%	Ireland
Sanlam Global Liquidity Fund	55%	Ireland
Sanlam Global Property Fund	34%	Ireland
Sanlam Institutional Equity Flexible Fund	95%	Ireland
Sanlam Institutional Balanced Fund	96%	Ireland
Sanlam Institutional Bond Fund	96%	Ireland
SIIP India Opportunities Fund	65%	Ireland
Sanlam S&P Africa Tracker Fund	100%	Ireland
Sanlam Strategic Cash Fund	75%	Ireland
Sanlam US Dollar Liquidity Fund	66%	Ireland
Sanlam World Equity Tracker Fund	34%	Ireland
Sanlam UK Equity Tracker Fund	59%	Ireland

STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES AT 31 DECEMBER 2013

R million	Notes	Dec 2013	Dec 2012
Assets			
Fair value of assets	1	379 983	333 557
Less : Liabilities		319 441	278 091
Actuarial value of policy liabilities	2	301 696	263 458
Investment contracts		166 363	133 857
Insurance contracts		135 333	129 601
Long-term and current liabilities		17 745	14 633
Excess of assets over liabilities for financial reporting	2	60 542	55 466
Adjustment for prudential regulatory purposes	3	(29 000)	(26 655)
Unsecured subordinated bond	4	2 094	2 159
Excess of assets over liabilities for prudential regulatory purposes		33 636	30 970
Analysis of movement in excess of assets over liabilities			
Result from financial services before tax		2 861	2 472
Investment return on excess of assets over liabilities		7 946	11 841
Investment income		2 211	3 247
Realised and unrealised investment surpluses		5 735	8 594
Taxation		(1 231)	(1 219)
Income tax		(899)	(865)
Capital gains tax		(332)	(274)
Secondary tax on companies		-	(80)
Attributable earnings before dividends paid	5	9 576	13 094
Dividends paid		(4 500)	(2 800)
Movement in excess of assets over liabilities for financial reporting		5 076	10 294
Capital adequacy requirements			
Capital adequacy requirements (CAR) before management actions		11 225	10 050
Management actions assumed	6	(3 675)	(2 925)
CAR after management actions assumed	6	7 550	7 125
Times CAR covered by excess of assets over liabilities for prudential regulatory purposes		4.5	4.3

**NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES
AT 31 DECEMBER 2013**

1. FAIR VALUE OF ASSETS

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

2. EXCESS OF ASSETS OVER LIABILITIES FOR FINANCIAL REPORTING

	Dec 2013 R million	Dec 2012 R million
<i>The excess of assets over liabilities reconciles as follows with the shareholders' fund in the balance sheet:</i>		
Shareholders' Fund per company balance sheet	59 360	54 259
Adjustment of goodwill to fair value	1 181	1 206
Other consolidation adjustments	1	1
Excess of assets over liabilities for financial reporting	60 542	55 466

3. ADJUSTMENT FOR PRUDENTIAL REGULATORY PURPOSES

	Dec 2013 R million	Dec 2012 R million
Total adjustment	(29 000)	(26 655)
Adjustment for life insurance Group undertakings (including capital requirements after adjustment for minority interests)	(9 595)	(7 881)
SDM Ltd	(5 958)	(5 832)
Other	(3 637)	(2 049)
Adjustment for other Group undertakings	(13 081)	(13 115)
Sanlam Investment Management	(4 378)	(4 152)
Santam	(7 961)	(8 306)
Other	(742)	(657)
Shares held in holding company	(6 205)	(5 241)
Inadmissible assets	(119)	(418)

**NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES
AT 31 DECEMBER 2013 (continued)**

4. UNSECURED SUBORDINATED BONDS

	Dec 2013	Dec 2012
	R million	R million
The unsecured subordinated bonds reconcile as follows to the annual financial statements:	2 094	2 159
Unsecured subordinated bonds	2 025	2 087
Accrued interest	69	72

5. ATTRIBUTABLE EARNINGS

Attributable earnings reconcile as follows with the annual financial statements:

	Dec 2013	Dec 2012
	R million	R million
Attributable earnings per company income statement	9 601	12 948
Adjustment of goodwill to fair value	(25)	146
Attributable earnings per Statement of Actuarial Values of Assets and Liabilities:	9 576	13 094

6. MANAGEMENT ACTIONS

	Dec 2013	Dec 2012
	R million	R million
The following management actions were assumed in the calculation of the capital adequacy requirements:		
Reduction in non-vested bonuses	225	218
Reduction in future bonus rates	2,703	2,310
Capitalisation of proportion of expected future profits held as discretionary margins	138	62
Reduction in grossing up of the assets covering CAR & other	609	335
Total management actions	3 675	2 925
	%	%
The average change in non-vested bonuses for Reversionary Bonus type business	-2.0	-2.0
The average change in future bonus rates below expected long-term rates, for three years	-2.0	-2.0

7. ASSET COMPOSITION

	Dec 2013	Dec 2012
	%	%
The assets backing the capital adequacy requirements after management actions were invested as follows:		
Cash	70.0	70.0
Fixed-interest securities	30.0	30.0
Total	100.0	100.0

**NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES
AT 31 DECEMBER 2013 (continued)**

8. FUTURE INVESTMENT RETURN AND INFLATION ASSUMPTIONS

	Dec 2013 %	Dec 2012 %
Pre-tax investment returns by major asset categories and inflation assumptions were as follows:		
Fixed-interest securities	8.2	6.8
Equities and offshore investments	11.7	10.3
Hedged equities	8.7	7.3
Properties	9.2	7.8
Cash	7.2	5.8
Future expense inflation (excluding margin)	6.2	4.8
Consumer price index inflation for premium indexation	6.2	4.8

9. DISCOUNT RATES USED IN CALCULATING PROSPECTIVE POLICY LIABILITIES

	Dec 2013 %	Dec 2012 %
Reversionary bonus business		
Retirement annuity business	9.9	8.5
Individual policyholder business	8.4	7.2
Individual stable bonus business		
Retirement annuity business	9.6	8.2
Individual policyholder business	8.1	6.9
Non-taxable business	9.6	8.2
Corporate policyholder business	7.6	6.5
Individual market-related business		
Retirement annuity business	9.9	8.5
Individual policyholder business	8.4	7.2
Non-taxable business	9.9	8.5
Corporate policyholder business	7.9	6.8
Participating annuity business	8.1	6.7
Non-participating annuity business*	8.9	7.8
Guarantee plans*	6.4	5.3

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

10. RESULT FROM FINANCIAL SERVICES

R million	Dec 2013 R million	Dec 2012 R million
A number of changes were made to the valuation methodology and assumptions, with the following effect on the result from operations.		
	(207)	(46)
Change in best estimate lapse assumption	-	5
Change in best estimate risk assumption	752	-
Change in best estimate expense assumption	(15)	(113)
Change in roll-up rate of guarantee premiums	-	(50)
Change in methodology	(944)	112

**NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES
AT 31 DECEMBER 2013 (continued)**

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

Monte Carlo simulation techniques were used in the calculation of the liabilities in respect of embedded investment derivatives. This was done using the output of a market-consistent stochastic model, which was calibrated as at 31 December 2013.

	Dec 2013 %	Dec 2012 %
This stochastic model was used to price the following option contracts. (Prices are expressed as percentages of the nominal)		
A 1-year at-the-money (spot) put on the FTSE/JSE TOP40 index.	6.3	6.2
A 1-year 80% at-the-money (80% spot) put on the FTSE/JSE TOP40 index	1.7	1.8
A 1-year forward put on the FTSE/JSE TOP40 index.	7.3	6.9
A 5-year at-the-money (spot) put on the FTSE/JSE TOP40 index	9.9	12.3
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot	16.5	20.3
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot, on an underlying index constructed as 60% FTSE/JSE TOP40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually		
	8.1	10.7
A 5-year forward put on the FTSE/JSE TOP40 index	17.9	18.4
A 20-year at-the-money (spot) put on the FTSE/JSE TOP40 index	3.1	4.5
A 20-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^{20}$ of spot	11.5	15.9
A 20-year put based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put, which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than this strike	0.4	0.5
A 20-year forward put on the FTSE/JSE TOP40 index	29.5	29.7
The implied volatilities of these option contracts are as follows:		
A 1-year at-the-money (spot) put on the FTSE/JSE TOP40 index.	19.7	18.4
A 1-year 80% at-the-money (80% spot) put on the FTSE/JSE TOP40 index	24.7	24.5
A 1-year forward put on the FTSE/JSE TOP40 index.	18.9	17.8
A 5-year at-the-money (spot) put on the FTSE/JSE TOP40 index	25.3	25.1
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot	23.4	23.5
A 5-year forward put on the FTSE/JSE TOP40 index	23.1	23.9
A 20-year at-the-money (spot) put on the FTSE/JSE TOP40 index	32.0	31.7
A 20-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^{20}$ of spot	30.9	30.4
A 20-year forward put on the FTSE/JSE TOP40 index	30.2	29.9
The risk-free zero coupon yield curve (annually compounded) used to calibrate the market-consistent stochastic model, is shown in the table below. This yield curve is based on the zero coupon government bond curve.		
1 year	5.4	4.9
2 years	6.3	5.2
3 years	6.9	5.5
4 years	7.2	5.8
5 years	7.5	6.0
10 years	8.5	7.2
15 years	9.4	8.2
20 years	10.1	8.9
25 years	10.5	9.5
30 years	10.8	9.9

CAPITAL & RISK MANAGEMENT REPORT

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CAPITAL MANAGEMENT

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

Full information on the Sanlam Limited Group Equity Value is provided in the Sanlam Limited Integrated Report on page 148.

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 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 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 un-recouped expenses (set equal to 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 eliminated.

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. 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 2013, the resilience scenario assumes that:

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

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

The excess of the actuarial values of assets over liabilities is disclosed in the table on page 93.

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. All subsidiaries of Sanlam Life were adequately capitalised.

Credit rating

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

	Most recent ratings issued
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)

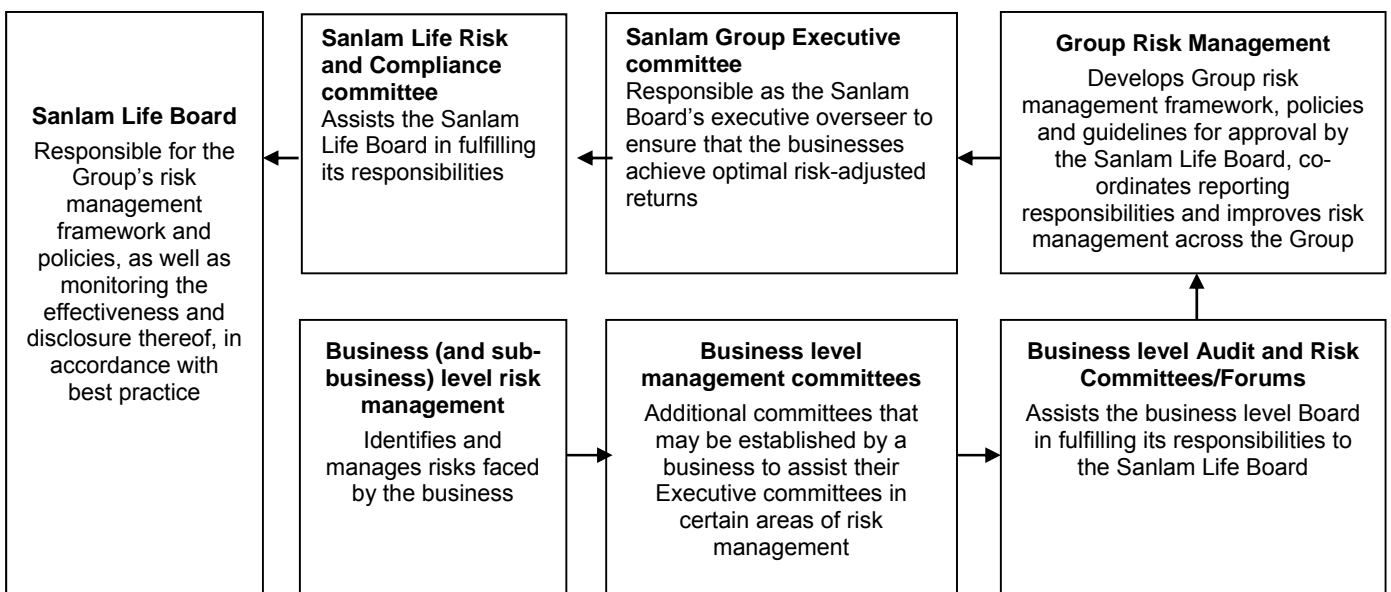
The independent credit ratings provide assurance to the investors in securities issued by the Group as well as the Group’s business partners and other stakeholders. It also enables the Group to issue debt and equity instruments at market-related rates. The above ratings were confirmed in October 2013 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 (Sanlam Board) and Sanlam Life Insurance Limited Board (Sanlam Life Board) are combined to improve the flow of information and to increase the efficiency of the Boards. The agenda of the Sanlam Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development 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.

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

<p align="center">Capital Committee Reviews and oversees the management of the Group's capital base</p>	<p align="center">Asset and Liability Committee Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided</p>	<p align="center">Central Credit Committee Identifies, measures and controls corporate credit risk exposure</p>
<p align="center">Investment Committees Determines and monitors appropriate investment strategies for policyholder solutions</p>	<p align="center">Treasury Function Manages the liquidity risks in the borrowing functions of Sanlam</p>	<p align="center">Non-listed Asset Committee Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam Limited and Sanlam Life Boards</p>
<p align="center">Group Risk Forum Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Sanlam Life Board</p>	<p align="center">Financial Director Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised</p>	<p align="center">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</p>
<p align="center">Forensics Investigates and reports on fraud and illegal behaviour in businesses</p>	<p align="center">Group Secretariat and Public Officers Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters</p>	<p align="center">Group Compliance Office Facilitates management of compliance through analysing and advising on statutory and regulatory requirements, and monitoring implementation and execution thereof</p>
<p align="center">Group IT Manages and reports Group-wide IT risks</p>	<p align="center">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</p>	<p align="center">Internal Audit Assists the Sanlam Life Board and management by monitoring the adequacy and effectiveness of risk management in businesses</p>

Group risk policies, standards and guidelines

The main policies, standards and guidelines are:

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

[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 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 9-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.

Independant assurance reviews

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

Risk types

The Group is exposed to the following main risks:

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

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

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

	5. Insurance risk (Short-term insurance business)	<p>Insurance risk (short-term 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:</p> <p>Claims risk (Premium and Reverse risk): refers to a change in value caused by the ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. Claims risk are often split into – Reserve risk (relating to incurred claims) and Premium risk (relating to future claims).</p> <p>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.</p>	Short-term insurance
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Risk management: General risks

1. OPERATIONAL RISK

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

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

The following functionaries assist in mitigating operational risk:

Internal audit

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

External audit

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

The external auditors provide an independent assessment of certain systems of internal financial control which they may rely on to express 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 Board.

Quarterly reports are submitted by Group Forensic Services to the Sanlam Life Risk and Compliance committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Taxation risk

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

Regulatory risk

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

Process risk

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

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

Project risk

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

Outsourcing provider risk

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

2. REPUTATIONAL RISK

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

3. STRATEGIC RISK

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

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

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

RISK MANAGEMENT: BY BUSINESS AREA

Investment management

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

Investment performance:

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

- The recruitment and retention of high quality investment professionals and support staff who are organised into stable teams with a performance culture that receive pertinent training and development and regular employee appraisals;
- The optimisation of a robust investment process to effect good investment decisions;
- The rigour of the procedures for portfolio implementation;
- The effectiveness of the dealing desk; and
- The analysis 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 34 for a description of the different policyholder solutions; as well as to note 15 on page 54, which discloses the monetary value of the Group's exposure to the various solutions.

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

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

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

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

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

✓ Risk applicable to item

X Risk not applicable to item

The management of these risks is described below.

1. MARKET RISK

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

✓ Risk applicable to item

X Risk not applicable to item

Linked and market-related

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

Smoothed bonus business

These policies provide for the payment of an after-tax and after-cost investment return to the policyholder, in the form of bonuses. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the effects of volatile investment performance, and bonus rates are determined in line with the product design, policyholder reasonable expectations, affordability and the approved bonus philosophy. Any returns not yet distributed are retained in a policyholder bonus stabilisation reserve, for future distribution to policyholders. In the event of adverse investment performance, this reserve may become negative. Negative bonus stabilisation reserves are allowed for in the valuation of these liabilities to the extent that the shortfall is expected to be recovered by declaring lower bonuses in the subsequent three years. The funding level of portfolios is bolstered through loans from the capital portfolio in instances where negative stabilisation reserves will not be eliminated by these management actions. At 31 December 2013, 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 under-performance in investment markets may result in an under-funded 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.

Currency risk

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

Capital

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

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

SHAREHOLDERS' FUND

R million	2013	2012
Property and equipment	563	424
Owner-occupied properties	649	642
Goodwill	1 516	1 408
Other intangibles	111	62
Value of business acquired	747	838
Deferred acquisition costs	2 615	2 244
Investments	47 344	40 579
Properties	348	282
Equity-accounted investments	9 290	4 963
Equities and similar securities	14 732	13 920
Interest bearing investments	13 256	13 266
Structured transactions	1 406	1 968
Investment funds	5 033	4 684
Cash, deposits and similar securities	3 279	1 496
Net deferred tax	(937)	(393)
Net non-current assets held for sale	415	-
Short-term insurance technical assets	2,716	2,096
Net working capital assets	3 246	4 802
Short-term insurance technical provisions	(11 032)	(9 877)
Cell owners interest	(814)	(688)
Derivative liability	(350)	(95)
Term finance	(3 501)	(3 799)
Non-controlling interest	(3 569)	(2 901)
Shareholders' fund - Sanlam Life Group	39 719	35 342

**Comparative information has been restated for the change in the treatment of non-life entities to improve presentation and align with the Sanlam Group's shareholder fund structure.*

The exposure of the Group's capital portfolio to currency risk is for the purpose of seeking international diversification of investments. This exposure is analysed in the table below:

R million	United States						Total
	Euro	Dollar	British Pound	Botswana Pula	Indian Rupee	Other currencies	
31 December 2013							
Investment properties	-	-	-	122	-	204	326
Equities and similar securities	575	549	155	408	-	870	2 557
Equity accounted investments ⁽¹⁾	-	-	-	1 376	4 597	968*	6 941
Government interest bearing investments	-	3	-	-	-	28	31
Corporate interest bearing investments	-	-	-	169	-	12	181
Mortgages, policy and other loans	-	-	-	97	-	101	198
Investment funds	15	572	14	30	-	5	636
Cash, deposits and similar securities	7	265	4	437	-	198	911
Net working capital assets/(liabilities)	-	1	(9)	(377)	-	15	(370)
Net other liabilities	-	-	-	-	-	-	-
Total	597	1 390	164	2 262	4 597	2 401	11 411
Exchange rates (Rands)							
Closing rate	14.51	10.53	17.42	1.21	0.17		
Average rate	12.78	9.61	15.00	1.16	0.17		
31 December 2012							
Investment properties	-	-	-	154	-	92	246
Equities and similar securities	292	1 194	280	97	-	455	2 318
Equity accounted investments ⁽¹⁾	-	-	-	1 122	2 604	-	3 726
Government interest bearing investments	3	2	-	244	-	6	255
Corporate interest bearing investments	-	-	-	-	-	29	29
Mortgages, policy and other loans	-	-	-	(4)	-	76	72
Investment funds	-	646	7	-	-	-	653
Cash, deposits and similar securities	8	97	67	243	-	128	543
Net working capital assets/(liabilities)	-	-	19	(269)	-	24	(226)
Net other liabilities	-	(32)	-	(24)	-	-	(56)
Total	303	1 907	373	1 563	2 604	810	7 560
Exchange rates (Rands)							
Closing rate	11.19	8.48	13.79	1.11	0.16		
Average rate	10.53	8.20	12.99	1.10	0.15		

* Investment in Pacific & Orient, Malaysia

⁽¹⁾ Include significant entities that have currency exposure

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

Sensitivities

Changes in investment return assumptions have an impact on the return on the Group's capital, as changes in the market value of the capital portfolio's investments will have a commensurate impact on earnings for the year, and the future profitability of the life insurance operations as reflected in the impact on the value of in-force business (the present value of future after-tax profit to be earned from covered business). If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be an increase of R963 million (2012: increase of R878 million).

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

2. CREDIT RISK – POLICYHOLDER SOLUTIONS & CAPITAL

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

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

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

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

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

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

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

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

- Unacceptable concentrations of credit risk to groups of counterparties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, customers and geographic areas;

- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract;
- General insurance premiums outstanding for more than 60 days are not accounted for in premiums, and an appropriate level of provision is maintained; and
- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

The Group has considered the impact of changes in credit risk on the valuation of its liabilities. Credit risk changes will only have an impact in extreme situations and are not material for the 2013 and 2012 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 businesses' exposure to instruments subject to credit risk.

Credit risk concentration by credit rating * :												
	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	Other	Total	Carrying value
Assets backing policy liabilities	%	%	%	%	%	%	%	%	%	%	%	R million
31 December 2013												
Government interest-bearing investments	87	3	-	2	-	-	-	1	7	-	100	51 168
Corporate interest-bearing investments	5	20	29	11	4	8	4	2	14	3	100	35 032
Mortgages, policy and other loans	-	-	7	6	10	3	23	-	51	-	100	3 055
Cash, deposits and similar securities	39	17	11	3	-	2	-	-	27	1	100	9 587
Net working capital	-	-	-	-	-	-	-	-	100	-	100	1 065
Total	50	10	12	5	2	3	2	2	13	1	100	99 907
31 December 2012 **												
Government interest-bearing investments	93	-	-	-	-	-	1	2	4	-	100	44 711
Corporate interest-bearing investments	3	27	19	23	4	8	2	1	10	3	100	38 028
Mortgages, policy and other loans	-	-	13	13	15	1	9	-	49	-	100	2 082
Cash, deposits and similar securities	7	13	14	27	-	2	-	-	33	4	100	7 644
Net working capital	-	-	-	-	-	-	-	-	100	-	100	697
Total	47	12	9	12	2	4	2	1	10	1	100	93 162
Capital portfolio												
	%	%	%	%	%	%	%	%	%	%	%	R million
31 December 2013												
Government interest-bearing investments	85	1	-	7	-	-	-	2	5	-	100	556
Corporate interest bearing investments	12	21	25	10	4	11	3	2	6	6	100	8 750
Mortgages, policy and other loans	-	-	-	6	-	7	20	5	49	13	100	608
Cash, deposits and similar securities	52	7	6	1	-	1	-	-	25	8	100	2 875
Net working capital	354	91	3	1	11	-	-	3	-248	-115	100	750
Total	42	20	18	7	4	8	3	2	-3	-1	100	13 539
31 December 2012 **												
Government interest-bearing investments	72	-	-	9	-	-	-	8	11	-	100	465
Corporate interest-bearing investments	2	30	20	19	3	11	3	2	1	9	100	8 550
Mortgages, policy and other loans	-	-	4	11	20	-	-	-	65	-	100	400
Cash, deposits and similar securities	-	38	30	1	-	2	-	-	24	5	100	2 194
Net working capital	85	1,227	27	18	-	-	41	-	-1,517	219	100	288
Total	6	58	20	15	3	9	3	2	-27	11	100	11 897

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

** Comparative information has been adjusted for the reclassification of investment funds.

Equity derivatives are included in equities and similar securities and interest-rate swaps are included in debentures, insurance policies, preference shares and other loans above. The majority of the counterparties to these agreements are institutions with at least an AA- rating. The Group's short-term positions are included in the above table under the counterparties' long-term rating where Sanlam has both a long-term and short-term exposure to the entities.

Maximum exposure to credit risk

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

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

Reinsurance credit risk

Sanlam makes use of reinsurance to:

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

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

3. LIQUIDITY RISK

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

✓ Risk applicable to item

X Risk not applicable to item

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

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

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

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

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

31 December 2013					
R million	< 1 year	1-5 years	> 5 years	Open ended	Total
Insurance contracts	5 306	24 591	61 590	62 507	153 994
Investment contracts	3 276	27 469	53 113	108 484	192 342
Total policy liabilities	8 582	52 060	114 703	170 991	346 336
Properties	-	-	-	6 344	6 344
Equities and similar securities	-	-	221	63 075	63 296
Government interest-bearing investments	154	3 920	47 054	41	51 169
Corporate interest-bearing investments	5 976	18 519	9 785	2 428	36 708
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	166 255	167 258
Cash deposits and similar securities	7 123	2 288	174	-	9 585
Deferred acquisition costs	-	-	-	156	156
Long-term reinsurance assets	15	144	559	6	724
Derivative liabilities	(467)	(126)	(351)	(93)	(1 037)
External investors in consolidated funds	-	-	-	(2 525)	(2 525)
Net working capital	1 853	2	-	(564)	1 291
Total policyholder assets	19 387	31 889	59 855	235 205	346 336

31 December 2012					
R million	< 1 year	1-5 years	> 5 years	Open ended	Total
Insurance contracts	4 958	21 778	57 636	60 410	144 782
Investment contracts	3 264	21 723	44 105	90 184	159 276
Total policy liabilities	8 222	43 501	101 741	150 594	304 058
Properties	-	-	-	8 123	8 123
Equities and similar securities	-	15	-	58 659	58 674
Government interest-bearing investments	173	4 233	40 307	-	44 713
Corporate interest-bearing investments	7 775	20 869	8 100	1 375	38 119
Mortgages, policy and other loans	41	620	1 176	245	2 082
Structured transactions	6 776	5 445	409	(18)	12 612
Investment funds	332	578	36	131 315	132 261
Cash deposits and similar securities	5 679	1 758	186	5	7 628
Deferred acquisition costs	-	-	-	297	297
Long-term reinsurance assets	13	92	553	20	678
Derivative liabilities	(3)	(35)	(136)	(341)	(515)
External investors in consolidated funds	-	-	-	(1 341)	(1 341)
Net working capital	1 131	-	-	(404)	727
Total policyholder assets	21 917	33 575	50 631	197 935	304 058

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 Insurance Limited are managed on a corporate level (refer to page 135 for more information).

4. INSURANCE RISK

*

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

✓ Risk applicable to item

X Risk not applicable to item

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

Persistency risk

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

Other insurance risk

Underwriting risk:

The Group manages underwriting risk through:

- Its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard 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 substandard 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 5 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 rerating of premiums, is taken where necessary.

Expense risk:

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

Sensitivity to insurance risk:

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

Sensitivity to insurance risk	2013	2012
	R million	R million
<i>Expenses and persistency</i>		
• Maintenance unit expenses (excluding investment expenses) decrease by 10%	957	656
• Discontinuance rates decrease by 10%	787	534
<i>Insurance risk</i>		
• Base mortality and morbidity rates decreased by 5% for life assurance business	1,425	1,238
• Base mortality and morbidity rates decreased by 5% for life assurance annuity business	(515)	(247)

Concentration risk:

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

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

Non-participating annuity per annum per life insured

	Number of lives		Before reinsurance		After reinsurance	
	2013	2012	2013	2012	2013	2012
R'000			%	%	%	%
0 - 20	208 598	209 265	33	39	33	39
20 - 40	19 251	18 895	15	17	15	17
40 - 60	6 585	6 368	11	10	11	10
60 - 80	3 512	3 242	10	8	10	8
80 - 100	2 073	1 805	11	6	11	6
>100	4 957	3 721	20	20	20	20
	244 976	243 296	100	100	100	100

Comparatives have been restated to include entry-level clients.

Value of benefits insured: non-participating life business

Benefits insured per individual life	Number of lives		Before reinsurance		After reinsurance	
	2013	2012	2013	2012	2013	2012
	R'000		%		%	
0 - 500	9 163 000	8 803 673	28	30	32	32
500 - 1 000	277 217	272 535	17	16	17	18
1 000 - 5 000	278 811	271 113	37	39	37	39
5 000 - 8 000	10 401	10 131	8	7	6	6
>8 000	7 158	6 260	10	8	8	5
	9 736 587	9 363 712	100	100	100	100

Comparatives have been restated to include entry-level clients.

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.

	2013	2012
	R million	R million
South Africa	320 289	278 408
Africa	26 047	25 650
Total policy liabilities	346 336	304 058

Retail credit

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

Sanlam Personal Loans

The balance of loans advanced by SPL to clients at 31 December 2013 is shown below:

R million	2013	2012
Sanlam Personal Loans		
Gross balance	3 608	3 040
Provisions	(214)	(139)
Net balance	3 394	2 901

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 48.
- The Group Treasury function has also provided financing to SPL as indicated above. This exposure is managed by the Group's 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 verification 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 banking profits have become a significant part of SEM's operating earnings. This is due to the addition of the investment in Shriram Capital Limited (which has indirect holdings in Shriram Transport Finance Company and Shriram City Union Finance) in India and the subsequent direct investment in Shriram Transport Finance Company, to the existing SEM retail credit investment in Letshego that is owned by Botswana Insurance Holdings Limited. SEM's exposure to banking business has increased with the additional investment in Capricorn Investment Holdings Limited (which has an indirect stake in Bank Windhoek Holdings Limited) in Namibia.

The main risk emanating from the retail credit and banking 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 banking 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.

Though SEM only holds minority stakes in the different credit businesses, they do track the key results and trends in these businesses.

The Group's short-term insurance operations comprise of the Santam Group.

Market risk

Market risk arises in business units due to fluctuations in both the value of liabilities and the value of investments held. At a Santam Group level, it also arises in relation to the value of investment assets owned directly by the shareholders' fund.

Santam has established a policy on market risk which sets out the principles that businesses are expected to adopt in respect of management of the key market risks to which Santam is exposed. Santam monitors adherence to this market risk policy and regularly reviews how business units are managing these risks through the Santam Investment committee. For each of the major components of market risk, described in more detail below, Santam has put in place additional policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

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.

The objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modeling methods. Holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by management and statutory requirements.

Short-term insurance liabilities are not directly sensitive to equity price risk.

The Santam Board actively monitors equity assets owned directly by Santam, which include some material shareholdings in the strategic business partners. Concentrations of specific equity holdings, e.g. strategic holdings, are also monitored.

Interest rate risk

Interest rate risk arises primarily from investments in long-term debt and fixed income securities, which are exposed to fluctuations 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 2013, 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.

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing.

Foreign currency risk

Santam's exposure to currency risk is mainly in respect of foreign investments made in line with the long-term strategy approved by the Board for seeking desirable international diversification of investments to expand its income stream. The company has investments in foreign subsidiaries whose net assets are exposed to currency translation risk, primarily to the British pound. In addition, the Southern African operations have foreign exchange exposure in respect of net monetary assets denominated in foreign currency, predominantly US dollar and the British pound.

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

Derivatives are primarily used for efficient investment management, risk hedging purposes or to structure specific products. Santam does not use derivative financial instruments for speculative purposes, but instead to manage financial risks and to preserve its capital base. Mandates, as set by the Santam Investment Committee, govern 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

Key areas where Santam is exposed to credit risk are:

- Financial assets and cash and cash equivalents;
- Amounts due from insurance policyholders;
- Amounts due from insurance contract intermediaries;
- Amounts due from reinsurers; and
- Reinsurers' share of insurance liabilities.

Santam determines counterparty credit quality by reference to international ratings from independent ratings agencies such as Standard and Poor's or, where such ratings are not available, by either national ratings or internal analysis. Santam seeks to avoid concentration of credit risk to groups of counterparties, to business sectors, product types and geographical segments.

Financial assets are graded according to current issuer credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB. Financial assets which fall outside this range are classified as not rated. Credit limits are set for each counterparty based on default probabilities that are in turn based on the ratings of the counterparty concerned.

The following table provides information regarding the aggregated credit risk exposure for financial assets.

31 December 2013

R million	Credit rating									Carrying value
	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	
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 cash equivalents	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

31 December 2012:

R million	Credit rating									Carrying value in Balance sheet
	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	
Debt securities – quoted	432	896	375	1 001	56	370	95	7	287	3 519
Debt securities – unquoted	-	1 132	931	991	9	60	-	51	264	3 438
Receivables due from contract holders / intermediaries	-	29	14	-	-	21	-	2	1 437	1 503
Reinsurance receivables	-	1	-	4	6	5	26	-	55	97
Other loans and receivables	6	53	11	27	3	5	21	1	361	488
Cash and cash equivalents	126	1 480	229	976	268	194	33	17	65	3 388
Total	564	3 591	1 560	2 999	342	655	175	78	2 469	12 433

The carrying amount of assets included in the statement of financial position represents the maximum credit exposure.

Receivables that are due from contract holders and intermediaries emanating from the Southern African business amounted to R1 880 million (2012: R1 503 million). Santam is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries and through direct control over certain bank accounts used by intermediaries. Debtors falling into the “Not rated” category are managed by the internal credit control departments on a daily basis to ensure recoverability of amounts.

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 not more than 15% of portfolio assets may be invested in any one of the four major South African banks. Accounts receivable are spread among a number of major companies and intermediary parties, customers and geographic areas.

Reinsurance credit exposures

Reinsurance is used to manage insurance risk. However, this does not discharge Santam's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, Santam remains liable for the payment to the policyholder. Santam has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract. Santam's largest reinsurance counterparty is Lloyds (2012: Lloyds).

There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

There is no concentration of credit risk with respect to loans and receivables, other than reinsurance debtors, as Santam has a large number of locally and internationally dispersed debtors.

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 claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source;
- Inaccurate pricing of risks when underwritten;
- Inadequate reinsurance protection or other risk transfer techniques; and
- Inadequate reserving.

The risks under any one insurance contract are the frequency with which the insured event occurs and the uncertainty of the amount of the resulting claims. For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risks Santam face are that the actual claims and benefit payments exceed the premiums charged for the risks assumed and that the reserves set aside for policyholders' liabilities, whether they are known or still to be reported, prove to be insufficient.

By the very nature of an insurance contract, this risk is random and therefore unpredictable. Changing risk parameters and unforeseen factors, such as patterns of crime, economic and geographical circumstances, may result in unexpectedly large claims. Insurance events are random and the actual number of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Pricing

Santam bases its pricing policy on the theory of probability. Underwriting limits are set for underwriting managers and brokers to ensure that this policy is consistently applied. Santam also has the right to re-price and change the conditions for accepting risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims.

Through the use of extensive expertise, well-maintained data resources, selective underwriting practices and pricing techniques it is able to produce appropriate and competitive premium rates.

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

	2013	2012	2011	2010	2009	2008	2007
Claims paid and provided %*	69.3	68.3	64.2	64.1	70.6	68.4	68.2

**Expressed as a percentage of net earned premiums*

Factors that aggravate insurance risk include a lack of risk diversification in terms of type and amount of risk, geographical location and the industries covered. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. Therefore a diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

Santam has developed its insurance underwriting strategy to diversify the type of insurance risks accepted, to achieve, within each of these categories, a sufficiently large population of risks to reduce the variability of the expected outcome. A specialised catastrophe reinsurance program mitigates the risk arising from this.

Santam underwrites insurance contracts in Southern Africa. The Santam Re business unit underwrites insurance contracts in other emerging market territories, including Africa, India and South-East Asia.

Claims development tables

The presentation of the claims development tables for the Santam group, 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

- Short-term insurance claims - gross

Reporting year	Claims paid in respect of								
	Total	2013	2012	2011	2010	2009	2008	2007	2006 & prior
	R million	R million	R million	R million	R million	R million	R million	R million	R million
Actual claims costs:									
- 2013	13 148	9 152	3 411	250	154	106	47	18	10
- 2012	11 341	-	8 176	2 366	370	171	158	58	42
- 2011	10 327	-	-	7 767	2 141	247	52	54	66
- 2010	9 999	-	-	-	7 144	2 236	411	116	92
- 2009	10 016	-	-	-	-	7 702	1 959	197	158
- 2008	8 996	-	-	-	-	-	7 181	1 547	268
- 2007	7 971	-	-	-	-	-	-	6 219	1 752
- 2006	6 988	-	-	-	-	-	-	-	6 988
- 2005	5 955	-	-	-	-	-	-	-	5 955
- 2004	4 797	-	-	-	-	-	-	-	4 797
Cumulative payments to date	89 538	9 152	11 587	10 383	9 809	10 462	9 808	8 209	20 128

- Short-term insurance claims - net

Reporting year	Claims paid in respect of								
	Total	2013	2012	2011	2010	2009	2008	2007	2006 & prior
	R million	R million	R million	R million	R million	R million	R million	R million	R million
Actual claims costs:									
- 2013	11 335	8 423	2 493	168	127	79	35	7	3
- 2012	9 904	-	7 616	1 743	250	116	137	36	6
- 2011	8 989	-	-	7 082	1 673	148	39	23	24
- 2010	8 710	-	-	-	6 401	1 816	323	103	67
- 2009	8 805	-	-	-	-	6 928	1 651	131	95
- 2008	7 727	-	-	-	-	-	6 172	1 381	174
- 2007	6 672	-	-	-	-	-	-	5 292	1 380
- 2006	6 020	-	-	-	-	-	-	-	6 020
- 2005	5 185	-	-	-	-	-	-	-	5 185
- 2004	4 064	-	-	-	-	-	-	-	4 064
Cumulative payments to date	77 411	8 423	10 109	8 993	8 451	9 087	8 357	6 973	17 018

Reporting development

- Short-term insurance claims provision - gross

Reporting year	Claims paid in respect of								
	Total	2013	2012	2011	2010	2009	2008	2007	2006 & prior
	R million	R million	R million	R million	R million	R million	R million	R million	R million
Provision raised:									
- 2013	5 523	3 267	788	376	462	195	175	151	109
- 2012	4 948	-	3 133	599	434	304	213	170	95
- 2011	4 192	-	-	2 448	652	333	303	191	265
- 2010	3 777	-	-	-	2 325	556	312	171	413
- 2009	4 288	-	-	-	-	2 617	712	401	558
- 2008	4 075	-	-	-	-	-	2 579	630	866
- 2007	3 774	-	-	-	-	-	-	2 804	970
- 2006	3 922	-	-	-	-	-	-	-	3 922
- 2005	3 187	-	-	-	-	-	-	-	3 187
- 2004	2 436	-	-	-	-	-	-	-	2 436
	40 122	3 267	3 921	3 423	3 873	4 005	4 294	4 518	12 821

- Short-term insurance claims provision - net

Reporting year	Claims paid in respect of								
	Total	2013	2012	2011	2010	2009	2008	2007	2006 & prior
	R million	R million	R million	R million	R million	R million	R million	R million	R million
Provision raised:									
- 2013	4 207	2 459	568	331	298	172	146	132	101
- 2012	3 971	-	2 550	466	326	241	162	145	81
- 2011	3 273	-	-	1 919	509	260	220	149	216
- 2010	2 896	-	-	-	1 813	402	228	132	321
- 2009	2 952	-	-	-	-	1 861	435	280	376
- 2008	2 699	-	-	-	-	-	1 805	403	491
- 2007	2 444	-	-	-	-	-	-	1 807	637
- 2006	2 484	-	-	-	-	-	-	-	2 484
- 2005	1 909	-	-	-	-	-	-	-	1 909
- 2004	1 056	-	-	-	-	-	-	-	1 056
	27 891	2 459	3 118	2 716	2 946	2 936	2 996	3 048	7 672

Reserving

Claims are analysed separately for long-tail and short-tail claims. Short-tail claims can be estimated with greater reliability, and the Santam estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allow Santam to achieve a higher degree of certainty about the estimated cost of claims, and relatively lower levels of Incurred But Not Reported (IBNR) are held at year-end.

The longer time needed to assess the emergence of a long-tail claim makes the estimation process more uncertain for such claims. The uncertain nature of the costs of this type of claim causes greater

uncertainty in the estimates, hence the higher level of IBNR. Where possible, Santam adopts multiple techniques to estimate the required level of reserving. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. At year-end, Santam believes that its reserves for long-tail and short-tail claims are adequate.

In calculating the estimated cost of unpaid claims, Santam's estimation methodology is based on standard statistical techniques. For claims that have been reported to Santam by the valuation date, expert assessors estimate the expected cost of final settlement. In addition to this, testing of the entire portfolio is done to determine whether or not these estimates are likely to be sufficient in aggregate or if an additional reserve amount is required.

For claims that have not been reported to Santam by the valuation date, the chain-ladder methodology is used to determine the expected cost of these unreported claims.

A stochastic reserving process is performed and Santam holds its reserves for unpaid claims at the 75th percentile level of sufficiency at the very least.

Claim provisions for all classes of business are regularly reviewed and audited internally to make sure they are sufficient. These analyses draw on the expertise and experience of a wide range of specialists, such as actuaries, underwriting and accounting experts.

Accumulation risk

Santam is exposed to accumulation risk in the form of geographical (large metropolitan) areas as well as class of business concentrations of risk. The risk appetite policy dictates how much capital the company is willing to put at risk in the pursuit of value. It is within this risk appetite framework that the reinsurance program has been selected to mitigate accumulation risk within its portfolio.

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.

This cover is placed on the local and international reinsurance market. Santam uses a number of modeling tools to monitor aggregation and to simulate catastrophe losses to measure the effectiveness of the reinsurance program and the net exposure of Santam. The core components of the reinsurance program 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 R7.5 billion per event in excess of an attachment point or R100 million.

The Santam Board approves the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme 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 actively manages its liquid assets to ensure that financial instruments and insurance liabilities are settled on a timely basis. Santam has sufficient liquid and open ended resources to cover its obligations. Open ended resources can be liquidated on demand. R6.6 billion (2012: R9.7 billion) of insurance liabilities are payable within one year, with the remaining balance predominantly payable within two to five years.

Corporate

The Corporate Cluster is responsible for areas of financial risk management that are not allocated to individual businesses.

1. Liquidity risk

Term finance liabilities in respect of margin business are matched by appropriate assets with the same maturity profile. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities. The Group has significant liquid resources and substantial unutilised banking facilities to cover any mismatch position.

The maturity profile of term finance liabilities in respect of the margin business and the assets held to match this term finance is provided in the following table:

R million	<1 year	1-5years	>5 years	Open ended	Total
31 December 2013					
Term finance liabilities	(300)	-	-	-	(300)
Interest-bearing liabilities held in respect of margin business	(300)	-	-	-	(300)
Add: Preference shares issued to subsidiaries and eliminated on consolidation	-	-	-	-	-
Assets held in respect of term finance	(38)	1	-	337	300
Equities and similar securities	-	-	-	337	337
Corporate interest bearing investments	1	1	-	-	2
Working capital assets and liabilities	(39)	-	-	-	(39)
Net term finance liquidity position	(338)	1	-	337	-

R million	<1 year	1-5years	>5 years	Open ended	Total
31 December 2012					
Term finance liabilities	(500)	-	-	-	(500)
Interest-bearing liabilities held in respect of margin business	(500)	-	-	-	(500)
Add: Preference shares issued to subsidiaries and eliminated on consolidation	-	-	-	-	-
Assets held in respect of term finance	147	1	-	352	500
Equities and similar securities	-	-	-	352	352
Government interest bearing investments	-	-	-	-	-
Cash, deposits and similar securities	1	1	-	-	2
Working capital assets and liabilities	146	-	-	-	146
Net term finance liquidity position	(353)	1	-	352	-

The unsecured subordinated bonds issued by Sanlam Life Insurance Limited, which are matched by appropriate assets with similar maturity profiles, are also managed by the Corporate Cluster. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities.

The maturity profile of the term finance liabilities in respect of the unsecured subordinated bonds and the assets held to match this term finance is provided in the following table:

R million	<1 year	1-5 years	>5 years	Open ended	Total
31 December 2013					
Term finance liabilities	-	-	(2 026)	-	(2 026)
Interest-bearing liabilities	-	-	(2 026)	-	(2 026)
Add: Unsecured bonds issued to subsidiaries and eliminated on consolidation	-	-	-	-	-
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	-
31 December 2012					
Term finance liabilities	-	-	(2 087)	-	(2 087)
Interest-bearing liabilities	-	-	(2 087)	-	(2 087)
Add: Unsecured bonds issued to subsidiaries and eliminated on consolidation	-	-	-	-	-
Assets held in respect of term finance	318	1 563	71	135	2 087
Government interest bearing investment	-	16	23	-	39
Corporate interest bearing investments	249	1 240	35	-	1 524
Mortgages, policy and other loan	15	24	13	-	52
Structured transactions	158	239	-	-	397
Investment funds	-	-	-	135	135
Cash, deposits and similar securities	(13)	44	-	-	31
Working capital assets and liabilities	(91)	-	-	-	(91)
Net term finance liquidity position	318	1 563	(2 016)	135	-

2. Sensitivity analysis – market risk

Refer to page 117 for an analysis of the Group's exposure to market risk.

SANLAM LIFE INSURANCE LIMITED COMPANY

The tables below are presented in terms of the requirements of International Financial Reporting Standards and are for information purposes only. In management's view they do not present a true reflection of the company's risk exposure and the management thereof. The information presented in the remainder of this report is also reflective of the underlying risk exposure of the company and is in line with the Group's risk management process.

EQUITY AND INTEREST RATE RISK

R million	2013	2012
Property and equipment	237	173
Owner-occupied properties	492	480
Goodwill	753	753
Value of business acquired	-	-
Deferred acquisition costs	2 361	2 073
Investments	66 470	58 369
Properties	161	184
Investments in subsidiaries, joint ventures and associates	36 761	30 962
Equities and similar securities	12 555	9 861
Interest bearing investments	10 386	9 124
Structured transactions	1 579	1 505
Investment funds	2 887	4 071
Cash, deposits and similar securities	2 141	2 662
Non-current assets held for sale	-	-
Term finance	(2 071)	(2,141)
Net deferred tax	(775)	(338)
Derivative liabilities	(147)	(96)
Net working capital liabilities	(7 960)	(5 014)
Shareholders' fund	59 360	54 259

CURRENCY RISK

31 December 2013 R million	Euro	United States Dollar	British Pound	African Assets	Indian Rupee	Other	Total
Equities and similar securities	571	549	156	2	-	287	1 565
Investment in subsidiaries, joint ventures and associates	-	-	-	-	1 284	-	1 284
Interest bearing investments	-	-	-	-	-	-	-
Investment funds	15	510	3	-	-	4	532
Cash, deposits and similar securities	3	262	2	-	-	17	284
Net working capital assets	-	-	-	-	-	1	1
Capital portfolio	589	1 321	161	2	1 284	309	3 666
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		
31 December 2012 R million	Euro	United States Dollar	British Pound	African Assets	Indian Rupee	Other	Total
Equities and similar securities	289	1 186	279	-	-	415	2 169
Investment in subsidiaries, joint ventures and associates	-	-	-	-	-	-	-
Interest bearing investments	-	-	-	-	-	-	-
Investment funds	-	-	-	-	-	-	-
Cash, deposits and similar securities	1	54	1	-	-	-	56
Net working capital assets	-	(32)	-	-	-	-	(32)
Capital portfolio	290	1 208	280	-	-	415	2 193
Exchange rates (Rand):							
Closing rate	11.19	8.48	13.79	1.11	0.16		
Average rate	10.53	8.20	12.99	1.10	0.16		

Sensitivities

Changes in investment return assumptions have an impact on the return on the company's capital, as changes in the market value of the capital portfolio's investments will have a commensurate impact on earnings for the year, and the future profitability of the life insurance operations as reflected in the impact on the value of in-force business (the present value of future after-tax profit to be earned from covered business). If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be an increase of R738 million (2012: increase of R611 million).

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

CREDIT RISK

Company

Credit risk concentration by credit rating:

R million

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	Other	Not rated *	Total
31 December 2013												
Assets backing policy liabilities												
Government interest bearing investments	42 882	1 291	-	1 028	-	-	-	-	3	-	-	45 204
Corporate interest bearing investments	1 512	6 434	8 240	3 135	1 474	2 678	1 417	-	696	242	1 488	27 316
Mortgages and loans	1	-	200	172	308	101	691	9	-	-	1 037	2 519
Cash, deposits and similar securities	3 645	447	452	57	-	3	14	-	-	10	1 215	5 843
Net working capital assets	-	-	-	-	-	-	-	-	-	-	2 168	2 168
	48 040	8 172	8 892	4 392	1 782	2 782	2 122	9	699	252	5 908	83 050

Capital portfolio

Government interest bearing investments	602	4	-	38	-	-	-	-	-	-	-	644
Corporate interest bearing investments	2 586	1 646	2 007	705	376	962	238	-	177	18	294	9 009
Mortgages and loans	-	-	-	313	-	42	122	-	33	-	283	793
Cash, deposits and similar securities	1 652	203	125	-	-	41	-	-	-	-	120	2 141
Net working capital assets	-	-	-	-	-	-	-	-	-	-	(7 960)	(7 960)
	4 840	1 853	2 132	1 056	376	1 045	360	-	210	18	(7 263)	4 627

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	Other	Not rated *	Total
31 December 2012												
Assets backing policy liabilities												
Government interest bearing investments	40 375	-	-	-	-	-	-	-	-	-	20	40 395
Corporate interest bearing investments	1 243	9 291	4 991	8 225	1 295	2 802	671	-	356	307	610	29 791
Mortgages and loans	3	-	263	266	304	16	179	-	-	-	474	1 505
Cash, deposits and similar securities	485	498	439	1 475	-	-	-	-	-	-	1 188	4 085
Net working capital assets	-	-	-	-	-	-	-	-	-	-	1 217	1 217
	42 106	9 789	5 693	9 966	1 599	2 818	850	-	356	307	3 509	76 993

Capital portfolio

Government interest bearing investments	45	-	-	40	-	-	-	-	-	-	-	85
Corporate interest bearing investments	287	2 352	1 564	1 496	232	940	260	-	190	69	122	7 512
Mortgages and loans	242	-	15	44	78	-	-	-	-	-	192	571
Cash, deposits and similar securities	-	2 865	629	-	(7)	44	-	-	-	-	86	3 617
Net working capital assets	-	-	-	-	-	-	-	-	-	-	(5 014)	(5 014)
	574	5 217	2 208	1 580	303	984	260	-	190	69	(4 614)	6 771

Comparatives have been adjusted for the re-classification of investment funds.

* Not rated externally or by using internationally recognised credit rating techniques.

LIQUIDITY RISK – POLICYHOLDER SOLUTIONS

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

Company

31 December 2013

R million	< 1 year	1-5 years	> 5 years	Open ended	Total
Insurance contracts	4 799	21 227	54 291	55 016	135 333
Investment contracts	2 926	12 431	51 881	99 125	166 363
Total policy liabilities	7 725	33 658	106 172	154 141	301 696
Properties	-	-	-	5 331	5 331
Equities and similar securities	-	-	-	57 469	57 469
Investments in subsidiaries, joint ventures and associates	-	-	-	2 069	2 069
Government interest bearing investments	12	2 836	42 356	-	45 204
Corporate interest bearing investments	4 457	15 447	6 658	754	27 316
Mortgages and loans	184	1 239	1 095	-	2 518
Structured transactions	2 961	3 192	965	-	7 118
Investment funds	-	-	-	147 909	147 909
Cash, deposits and similar securities	5 138	531	174	-	5 843
Deferred acquisition cost	-	-	-	-	-
Long-term reinsurance assets	4	60	469	-	533
Derivative liabilities	(467)	(126)	(351)	-	(944)
Net working capital and deferred taxation	2 168	-	-	(838)	1 330
Total policyholder assets	14 457	23 179	51 366	212 694	301 696

31 December 2012

R million	< 1 year	1-5 years	> 5 years	Open ended	Total
Insurance contracts	4 402	19 023	52 069	54 107	129 601
Investment contracts	2 598	10 090	42 761	78 408	133 857
Total policy liabilities	7 000	29 113	94 830	132 515	263 458
Properties	-	-	-	7 209	7 209
Equities and similar securities	-	-	-	52 839	52 839
Investments in subsidiaries, joint ventures and associates	-	-	-	2 159	2 159
Government interest bearing investments	63	3 120	37 172	-	40 355
Corporate interest bearing investments	5 496	17 709	6 019	606	29 830
Mortgages and loans	31	330	903	242	1 506
Structured transactions	5 967	2 685	401	-	9 053
Investment funds	-	-	-	115 632	115 632
Cash, deposits and similar securities	3 865	34	187	-	4 086
Deferred acquisition cost	-	-	-	163	163
Long-term reinsurance assets	3	57	452	-	512
Derivative liabilities	(3)	(35)	(136)	(339)	(513)
Net working capital and deferred taxation	1 217	-	-	(590)	627
Total policyholder assets	16 639	23 900	44 998	177 921	263 458

LIQUIDITY RISK – CAPITAL

Company: R million	<1 year	1-5 years	>5 years	Open ended	Total
31 December 2013					
Term finance liabilities	-	-	(2 026)	-	(2 026)
Assets held in respect of term finance	47	1 289	446	244	2 026
Equities and similar securities	-	-	-	-	-
Government and interest bearing investments	-	320	11	-	331
Corporate interest bearing investments	15	774	424	-	1 213
Mortgages and 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	-
31 December 2012					
Term finance liabilities	-	-	(2 087)	-	(2 087)
Assets held in respect of term finance	318	1 563	71	135	2 087
Equities and similar securities	-	-	-	-	-
Government interest bearing investments	-	16	23	-	39
Corporate interest bearing investments	249	1 240	35	-	1 524
Mortgages and loans	15	24	13	-	52
Structured transactions	158	239	-	-	397
Investment funds	-	-	-	135	135
Cash, deposits and similar securities	(13)	44	-	-	31
Working capital assets and liabilities	(91)	-	-	-	(91)
Net term finance liquidity position	318	1 563	(2 016)	135	-

Comparatives have been adjusted for the re-classification of investment funds.

INSURANCE RISK

31 December 2013

Sensitivity to insurance risk	Net VIF R million	Δ R million
Base value	19 498	
<i>Expenses and persistency</i>		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	20 230	732
Discontinuance rates decrease by 10%	19 925	427
<i>Insurance risk</i>		
Base mortality and morbidity rates decreased by 5% for life assurance business	20 466	968
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	19 285	(213)

31 December 2012

Sensitivity to insurance risk	Net VIF R million	Δ R million
Base value	17 213	
<i>Expenses and persistency</i>		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	17 750	537
Discontinuance rates decrease by 10%	17 405	192
<i>Insurance risk</i>		
Base mortality and morbidity rates decreased by 5% for life assurance business	18 077	864
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	16 892	(231)

CONCENTRATION RISK

Company

Value of benefits insured: non-participating life business

Benefits insured per individual life

	Number of lives		Before reinsurance		After reinsurance	
	2013	2012	2013	2012	2013	2012
R'000			%	%	%	%
0 - 500	815 569	870 366	18	19	22	23
500 - 1 000	173 956	177 844	17	18	18	19
1 000 - 5 000	175 190	169 252	45	45	45	45
5 000 - 8 000	9 355	9 291	8	8	7	7
>8 000	6 375	5 562	12	10	8	6
	1 180 445	1 232 315	100	100	100	100

Non-participating annuity payable per annum per life insured

	Number of lives		Before reinsurance		After reinsurance	
	2013	2012	2013	2012	2013	2012
R'000			%	%	%	%
0 - 20	198 888	200 164	44	44	44	44
20 - 40	17 010	17 033	18	18	18	18
40 - 60	5 211	5 249	9	10	9	10
60 - 80	2 569	2 546	7	7	7	7
80 - 100	1 326	1 296	4	4	4	4
> 100	2 571	2 476	18	17	18	17
	227 575	228 764	100	100	100	100

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

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

	Company	
	2013	2012
	R million	R million
South Africa	301 696	263 458
Africa	-	-
Total policy liabilities	301 696	263 458

WORKFORCE PROFILE AND CORE & SUPPORT FUNCTIONS

1. WORKFORCE PROFILE

1.1 Total number of employees (including employees with disabilities) in each of the following occupational levels:

OCCUPATIONAL LEVEL	MALE				FEMALE				FOREIGN		Grand Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	2	0	0	5	0	0	1	1	0	0	9
Senior Management	16	19	14	201	11	10	6	52	2	0	331
Middle Management	112	131	85	522	65	103	65	455	16	4	1558
Junior Management	577	516	150	1055	634	812	183	1587	11	5	5530
Semi-Skilled	1211	139	13	37	2515	395	47	192	9	6	4564
Unskilled	5	0	0	1	22	11	0	0	0	0	39
Grand Total	1923	805	262	1821	3247	1331	302	2287	38	15	12031

1.2 Employees with disabilities in each of the following occupational levels:

Disable only

OCCUPATIONAL LEVEL	MALE				FEMALE				FOREIGN		Grand Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	0	0	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	1	0	0	0	0	0	0	1
Middle Management	1	0	1	4	0	0	0	4	0	0	10
Junior Management	5	4	2	4	2	5	0	18	0	0	40
Semi-Skilled	16	10	2	7	14	13	0	5	0	0	67
Unskilled	0	0	0	0	0	0	0	0	0	0	0
Grand Total	22	14	5	16	16	18	0	27	0	0	118