



OLDMUTUAL

Old Mutual Limited

ANNUAL FINANCIAL STATEMENTS

Consolidated and Separate
For the year ended 31 December 2019



DO GREAT THINGS EVERY DAY

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The consolidated and separate financial statements were audited in terms of the Companies Act 71 of 2008. The preparation of the Group and separate annual financial statements was supervised by Casper Troskie CA(SA), Group Chief Financial Officer.

Directors' Responsibility Statement

The directors of Old Mutual Limited (the Company) are required by the South African Companies Act, 71 of 2008, as amended (the Companies Act) to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial and non-financial information included in this report.

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Old Mutual Limited, comprising the consolidated and separate statements of financial position at 31 December 2019, the consolidated income statement, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and cash flows for the year then ended, and the consolidated and separate notes thereto including the consolidated supplementary income statement, which include accounting policy elections and other explanatory notes in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Financial Reporting Standards Council, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, and the JSE Listings Requirements. In addition, the directors are responsible for the preparation of the directors' report.

The directors are also ultimately responsible for such internal controls as they determine are necessary to enable the preparation of the consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records in addition to reducing the risk of loss or error cost-effectively and effective risk management. An effective system of internal financial controls provides reasonable assurance as to the reliability of financial information being reported. To the best of their knowledge and belief the directors are satisfied that the system of internal controls provides reasonable assurance that reliance can be placed on financial records used in the preparation of the consolidated and separate financial statements during the financial year ended 31 December 2019.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the foreseeable future.

It is the responsibility of the Company's independent external auditors to report on the fair presentation of the consolidated and separate annual financial statements. These financial statements have been audited in terms of section 29(1) of the Companies Act. Their unmodified report is included within these annual financial statements.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Old Mutual Limited, as identified in the first paragraph, were approved by the board of directors on 15 March 2020 and signed on their behalf by:

T A Manuel

Chairman

I G Williamson

Interim Chief Executive Officer

Sandton

15 March 2020

Certificate by the Company Secretary

In terms of Section 88(2)(e) of the South African Companies Act, 71 of 2008, as amended, I certify that Old Mutual Limited has lodged with the Commissioner, all such returns and notices as required by the Companies Act for the year ended 31 December 2019, and that all such returns and notices appear to be true, correct and up to date.

Ms E M Kirsten

Company Secretary

15 March 2020

Directors' Report

Nature of business

Old Mutual Limited (the Company or the Group) is a premium African financial services group, listed on the Johannesburg Stock Exchange (JSE), and has a standard listing on the London Stock Exchange, and secondary listings on the Stock Exchanges of Malawi, Namibia and Zimbabwe. The Company is registered and incorporated in South Africa (Registration number: 2017/235138/06). The public officer is Nazrien Kader.

The Company, through its subsidiaries, distributes products and services to customers through a multi-channel distribution network spanning tied and independent advisers, branches, bancassurance, direct and digital channels and worksites.

Subsidiary Companies

The Company is the ultimate holding company of a number of subsidiaries, the details of which are reflected on page 113 herein. These subsidiaries have various lines of business in the Financial Services Industry, including Life and Savings, Property and Casualty, Asset Management and Banking and Lending.

Old Mutual plc was re-registered as a Private Company Limited in February 2019 under the name OM Residual UK Limited.

Financial Statements

Details of the financial results are set out on pages 17 to 158 of the consolidated annual financial statements and on pages 159 to 174 of the separate annual financial statements.

The directors have approved the consolidated and separate annual financial statements as reflected on pages 17 to 174, including the certificate by the Company Secretary on page 3 and the Audit committee report for the 2019 financial year on page 8.

Year under review

The operating results and financial position of the Group and Company are set out in the annual consolidated and separate income statements, statements of comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and accompanying notes.

The year under review is fully analysed in the Group Annual Results for 2019 which is available on our website at <http://www.oldmutual.com/investor-relations/reporting-centre/reports>. Further information is available in our Integrated Report, that will be published on 31 March 2020 and available on the same website at that date.

Profit after tax from continuing operations was R9,551 million (2018: R4,997 million), and profit after tax was R9,655 million (2018: R42,708 million) for the Group.

Integrated report and Governance report

The Old Mutual Limited Board has reviewed the Integrated Report which focuses on our strategy and how our material operating segments and key enabling functions, in South Africa and the rest of Africa, create value over the short, medium and long term. That report extends beyond financial reporting and includes non-financial performance, our approach to risk management, an overview of our material issues and a summary of our governance and remuneration practices. The Integrated Report and its relevant supplements will be available on our website at www.oldmutual.com from 31 March 2020.

Share capital

The Company's authorised share capital at 31 December 2019, was 10,000 million ordinary shares.

At 31 December 2019, the issued number of shares is 4,709 million (2018: 4,942 million) ordinary shares. Refer to page 111 for more information.

Due to CREST rules, beneficial entitlement to Ordinary uncertificated shares listed on the London Stock Exchange are held through Company Depository Interests.

Ownership

The Company is a publicly listed Company, and no single shareholder, or group of shareholders, control the Company. Further details of shareholders are included in the Integrated Report and available on our website as noted herein above.

Acquisition of shares

During the year ended 31 December 2019, the Company repurchased 233,494,706 of its issued ordinary shares on the Johannesburg Stock Exchange (JSE) as part of two separate share repurchase programmes announced on 11 March 2019 and 2 September 2019 respectively.

The first tranche of share buybacks was concluded on 21 May 2019. The aggregate number of shares repurchased amounted to 110,783,507 at prices ranging between 2,118 cents and 2,399 cents per share, resulting in a total cash outflow of R2.5 billion.

The second tranche of share buybacks was concluded on 8 October 2019. The aggregate number of shares repurchased amounted to 122,711,199 at prices ranging between 1,767 cents and 2,019 cents per share, resulting in a total cash outflow of R2.4 billion.

The repurchased shares have been cancelled as issued shares and have reverted back to authorised but unissued share capital status.

Dividends

The following dividends were declared in respect of the year ended 31 December 2019 and 31 December 2018:

- 2019 Final ordinary dividend of 75 cents per share declared by Old Mutual Limited
- 2019 Interim ordinary dividend of 45 cents per share paid by Old Mutual Limited
- 2018 Final ordinary dividend of 72 cents per share paid by Old Mutual Limited
- 2018 Special ordinary dividend of 100 cents per share paid by Old Mutual Limited
- 2018 Interim ordinary dividend of 45 cents per share paid by Old Mutual Limited

Borrowings

The directors may from time to time exercise all of the powers of the Company to (a) borrow for the purposes of the Company such sums as they think fit; and (b) secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of any securities, mortgage or charge upon all or any of the property or assets of the Company.

Property and equipment

There was no material change in the nature of the fixed assets of the Group or its subsidiaries or in the policy regarding their use during the year.

The Group adopted IFRS 16 'Leases' on 1 January 2019. The impact of adopting this standard is set out in note L on page 131.

Notice in terms of section 45(5) of the Companies Act, 2008 (the Act)

The Company as an essential part of conducting the business of the Old Mutual Group, is 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 Old Mutual Limited 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 shareholder resolution passed at the Annual General Meeting on 24 May 2019, 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 Old Mutual Limited Board and may not in total exceed the reporting threshold of 0.1% of the Old Mutual Limited Group's net asset value provided for in the Act.

Directors

Details of the members of the board who served during the year and at the reporting date have been provided below. The biographical details of the current directors are available in the Governance Report, which can be found on our website.

Name	Position as director	Appointment date	Resignation/ termination date
Mr TA Manuel	Independent Non-Executive Director	05.03.2018	
Mr PC Baloyi	Non-Executive Director	05.03.2018	
Mr PG de Beyer	Independent Non-Executive Director	05.03.2018	
Mr MM du Toit	Independent Non-Executive Director	05.03.2018	
Mr AK Essien	Independent Non-Executive Director	05.03.2018	
Mr I Kgaboesele	Independent Non-Executive Director	05.03.2018	
Mr JR Lister	Independent Non-Executive Director	05.03.2018	
Dr SM Magwentshu-Rensburg	Independent Non-Executive Director	05.03.2018	
Ms TM Mokgosi-Mwantembe	Non-Executive Director	05.03.2018	
Ms NT Moholi	Independent Non-Executive Director	05.03.2018	18.09.2019
Ms CWN Molope	Independent Non-Executive Director	05.03.2018	
Mr JI Mwangi	Independent Non-Executive Director	05.03.2018	
Mr BM Rapiya	Non-Executive Director	05.03.2018	
Mr SW van Graan	Independent Non-Executive Director	05.03.2018	
Mr CG Troskie	Executive Director	27.03.2018	
Mr IG Williamson	Executive Director (Interim CEO)	27.05.2019	
Mr MP Moyo	Executive Director	05.03.2018	17.06.2019

Directors' Report

Directors' Interests

The directors' interests in ordinary shares in Old Mutual Limited Group are set out in the 2019 Remuneration Report which will be released on 31 March 2020 and can be accessed on <https://www.oldmutual.com/investor-relations/reporting-centre/reports>. The directors had no interest in any third party or company responsible for managing any of the business activities of the Group.

Contracts and matters in which directors and officers of the Company have an interest

The Group has adopted a Conflict of Interest Policy, which sets out key provisions for both directors and employees to adhere to. Directors are required to confirm on a quarterly basis that their conflicts of interest disclosures are up to date, with a declaration being signed at each quarterly meeting.

Investments in the NMT group of companies

Peter Moyo, previously an executive director of the Company, and Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA), a wholly owned subsidiary of the Group, is also a non-executive director of NMT Capital Proprietary Limited (NMT Capital) and NMT Group Proprietary Limited (NMT Group), and holds an equity interest in both companies. OMLACSA has provided equity and preference share funding to both NMT Capital and NMT Group as well as related entities RZT Zelpy 4971 Proprietary Limited, RZT Zelpy 4973 Proprietary Limited and STS Capital Proprietary Limited are ordinary shareholders and related parties of NMT Capital. Amabubesi Capital Travelling Proprietary Limited is a subsidiary of NMT Group.

In July 2019 and August 2019, NMT Capital repaid R47 million and R4 million respectively reflecting the full repayment of the outstanding preference shareholding in NMT Capital as well as arrear preference share dividends. During January 2020, NMT Capital bought back OMLACSA's ordinary shareholding for R14 million. In addition, the Group received R20 million as full settlement of the preference shareholding in RZT Zelpy 4971, RZT Zelpy 4973 and STS Capital. The investments in the NMT companies have been valued based on a directors valuation. The negotiations to exit the remaining investments are in early stages and the timing and mechanism of the realisation is yet to be determined. The valuation of this investment will continue to be monitored as negotiations progress.

Investments in the Kutana group of companies

Thoko Mokgosi-Mwantembe, a non-executive director of the Company and OMLACSA, a wholly owned subsidiary of the Group, is also the Chief Executive Officer and sole equity holder of Kutana Capital (Pty) Ltd (Kutana).

During the period, Old Mutual Specialised Finance provided preference share funding to Luxanio 220 (RF) (Pty) Ltd, a wholly owned subsidiary of Kutana. In light of this investment, we also reviewed where Kutana had significant influence in the wider structure and provided additional information in respect of these relationships.

The Group, through various of its operating subsidiaries has provided debt funding as part of a consortium of lenders, to In2Food Group (Pty) Ltd through an entity called Middle Road Packers (Middle Road), an entity in which Kutana has an effective ownership of 35%.

The Group indirectly holds a 31% minority stake in Middle Road alongside Kutana's 35% interest, which was acquired by the Old Mutual Private Equity Fund IV (Fund IV) prior to Thoko Mokgosi-Mwantembe having been appointed as a non-executive director of the Company and OMLACSA. Fund IV is a limited liability partnership and the Group holds c.88% of the interest in Fund IV. In line with the nature of this structure, the Group has no influence over the investment decisions of this fund. These structures within the Group ensure that the independence of our asset management businesses is maintained. The underlying assets and liabilities of Fund IV have been consolidated into the Group's results and financial position as if it were a subsidiary in compliance with IFRS 10.

The transactions concluded with the Kutana Group of companies arose in the ordinary course of business and were conducted on the same commercial terms, including interest rates and security, as comparable transactions with third party counterparties. The transactions did not involve more than the normal risk of repayment, nor do they present any other unfavourable features to the Group.

Political donations

The Group does not, as a principle make donations to political parties. As a responsible and responsive corporate citizen, the Group is, however, required to participate, from time to time, in certain events that are organised by political parties for which payment is required. Any such payments must be done transparently and with prior approval by the designated member of the Executive Committee.

Events after the reporting period

During January 2020, NMT Capital bought back OMLACSA's ordinary shareholding for R14 million. In addition, the Group received R20 million as full settlement of the preference shareholding in RZT Zelpy 4971, RZT Zelpy 4973 and STS Capital.

Company secretary

The competence, qualifications and experience of the Group Company Secretary has been evaluated in terms of the required annual board evaluation process. The Board confirms that the Company Secretary is not a Board member, is suitably qualified and experienced and has maintained an arm's length relationship with the Board.

Details of Elsabé Margaretha Kirsten's qualifications and experience are available on our website at www.oldmutual.com.

Registered office:

Mutualpark
Jan Smuts Drive Pinelands
7405
South Africa

Going concern

The Board has satisfied itself that the Group has adequate resources to continue in operation for the foreseeable future, taking into account the Group's most recent business plan and the capital and liquidity position. The annual financial statements have accordingly been prepared on a going-concern basis.

Audit Committee report

This Audit committee report has been prepared based on the requirements of the SA Companies Act, 71 of 2008, as amended ('Companies Act'), the King Code of Governance for SA ('King IV™'), the JSE Listings Requirements and other applicable regulatory requirements.

This report sets out how the Audit committee has satisfied its various statutory obligations during the year, as well as some of the focus areas considered and how these have been addressed by the committee.

Role and mandate

The committee's main role is to assist the Board in fulfilling its oversight responsibilities, in particular with regard to the integrity of the Group's financial statements, effectiveness of the systems of internal control, financial reporting and risk management.

In addition, the committee is responsible for assessing the effectiveness of the internal audit function, the Chief Financial Officer and the independence and effectiveness of the Group's external auditors.

The Audit committee also has oversight responsibilities over key subsidiaries within the Group, specifically our largest subsidiary Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA). The committee routinely provides guidance and feedback on discussions that may have an impact on these subsidiaries and their Audit committees.

These responsibilities are in terms of the mandate of the Audit committee as defined in section 94(7) of the Companies Act and its terms of reference, which are available at www.oldmutual/about/governance/board-committees.

Committee composition

The committee is comprised of four independent non-executive directors and one non-executive director who all satisfy the requirements to serve as members of an audit committee, as defined by section 94(7) of the Companies Act. Two out of the five committee members are chartered accountants and all five members have risk management, finance and audit expertise.

The Chairperson of the committee reports to the Board on its activities, all matters discussed, highlighting key issues requiring action and recommendations for resolution. The Audit committee works closely with the Group Risk committee, which reviews risk management and compliance initiatives and monitors the effectiveness of the risk, compliance and internal control environment of the Group.

The Chairperson of the Audit committee is a member of the Risk committee and the Chairperson of the Risk committee is a member of the Audit committee. This helps ensure that there is adequate communication between the two committees.

Name	Appointment/ resignation date	Board status	Scheduled quarterly meeting attendance [#]	Adhoc meeting attendance [#]
Nosipho Molope (Chairperson) BSc (Medical Sciences), BCompt (Hons), CTA, CA(SA)	06.03.2018	Independent non-executive	4/4	5/5
Paul Baloyi* MBA, AMP (INSEAD), SEP (Harvard)	06.03.2018	Non-executive*	4/4	5/5
Peter de Beyer BBus Sci (Hons), FASSA	06.03.2018	Independent non-executive	4/4	4/5 [^]
Itumeleng Kgaboesele BCom, PDip (Acc), Dip (FMI), CA(SA)	06.03.2018	Independent non-executive	4/4	5/5
John Lister BSc (Stats), FIA	06.03.2018	Independent non-executive	4/4	5/5

[#] In accordance with the Audit committee's Terms of Reference, it held the minimum of 4 scheduled meetings during 2019, along with an additional 5 special meetings required to adequately discharge its duties in accordance with its mandate.

[^] Apologies received.

^{*} In line with Group requirements, Paul Baloyi became a non-executive director on 22 October 2019 as his tenure exceeded 9 years.

The engagement partners of the external auditors and Group Internal Audit Director are standing invitees to the Audit committee meetings, as is the Board Chairman, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and the heads of finance, actuarial and tax. Invitations to attend committee meetings are extended to senior executives and professional advisers as deemed appropriate. Directors of the Board who are not members of the committee have the right of attendance at Audit committee meetings.

Our commitment to independence, transparency and collaboration

The Audit committee encourages continuous improvement of and fosters adherence to the Group's policies, procedures and practices at all levels of the organisation.

Application of these policies encourages open communication with assurance providers, including the external auditors, senior management, internal audit, compliance, the risk functions and the Board.

The Group Internal Audit Director also has a direct reporting line to the committee with unrestricted access to the committee chairperson.

The independence of the committee is key to its effective functioning, whilst ensuring that it does not assume the functions of management.

As part of its mandate, it has the authority to investigate matters within the scope of its defined responsibility and to request information or explanations necessary for the performance of its functions.

Areas of focus during the year

Significant audit matters

The Audit committee routinely considers audit matters, as raised by the external auditors relating to the annual financial statements.

Audit matter	How the Audit committee addressed the matter
Assumptions related to policyholder liabilities	The committee reviewed reports from the Group Chief Actuary and the external auditors on actuarial assumptions and basis changes.
Accounting treatment of the Zimbabwe business	The committee reviewed and approved the decision to apply hyperinflation accounting for the Zimbabwe business during the current year. Detailed discussion was held on the appropriateness of this judgement. The decision to exclude Zimbabwe from the Group's key performance indicators, including Adjusted Headline Earnings, was discussed and approved by the committee. In light of hyperinflation and the change in functional currency, the committee routinely review the appropriateness of the asset valuations recognised in the Zimbabwe statement of financial position.
Valuation of property assets	The committee reviewed the appropriateness of property asset valuations, with specific focus on property assets in Zimbabwe and East Africa.
Implementation of IFRS 16 "Leases"	The committee oversaw the implementation of the new leases standard, which was effective 1 January 2019. Reviewed the appropriateness of the key assumptions and accounting treatment of material internal lease arrangements.
Goodwill and intangible valuations and impairments	The committee reviewed the goodwill and intangible assets impairment reviews that were based on the latest business planning inputs. The committee considered the sensitivity of the outcomes to declining growth rates and increasing discount rates.

Financial statements and integrated reporting process

During the year under review the Audit committee:

- Reviewed and debated key accounting, actuarial and tax judgements including external audit's Key Audit Matters and analysed financial information included in the Group's interim and year end results announcements to ensure the accuracy and integrity of financial data disclosed externally.
- Reviewed the Head of Actuarial Function reports concluding that the actuarial control function operated effectively.
- Reviewed and assessed the audited annual financial statements, and found the controls and financial reporting processes underpinning its compilation to be appropriate and effective.
- Recommended to the Board for approval of the annual financial statements, interim and annual results and the financial information included in the 2019 Integrated Report. Assessed and confirmed the appropriateness of the going concern assumption used in the interim and annual financial statements.
- Reviewed the interim and final dividend proposals, as well as the proposed share buy backs and ensured that the Group had sufficient resources to make these distributions, before recommending them to the Board.
- Reviewed reports from the Group Chief Actuary and the joint external auditors on actuarial assumptions and the reliability and adequacy of the financial soundness results of Old Mutual Limited at 31 December 2019.
- Reviewed and recommended for approval for the implementation of the Group consolidated multi-issuer note programme.

Audit Committee report

Internal controls and risk management

The Audit committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and risk management, and for considering the findings of any major internal investigations into control weaknesses, fraud or misconduct, and management's response thereto.

The Audit and Risk committees delegate the duty to management to continuously identify, assess, mitigate and manage risks within the existing and changing risk profile of our operating environment. Mitigating controls are formulated to address the risks and the Board is kept abreast of progress on the Group's risk management plan.

During the year under review the committee considered control issues identified from the various reports reviewed by the committee in the context of the overall effectiveness of internal controls.

This included internal and external audit reports, reports from the Board's Risk committee as well as specific internal control reports from management relating to internal attestation of financial and other controls.

Having considered, analysed, reviewed and discussed information provided by management, other Board committees, Internal Audit and the external auditors, the Audit committee is of the opinion that the internal controls of the Group had been effective in all material aspects, throughout the year under review.

Internal Audit

Internal Audit is the third line of assurance in the assurance model, and provides independent assurance over the first and second lines of assurance operations and oversight functions.

Group internal audit is accountable to the Audit committee and has unrestricted access to the Chairperson of the Audit committee.

Group internal audit meets with the Audit committee at least once a year without management being present, and has frequent interactions with the chairperson of the Audit committee.

The Audit committee approves the internal audit plan and neither the Group Internal Audit Director nor the internal audit function reports into the executive committee rather than from an administrative perspective. Group internal audit is also independent from the activities it audits and from the day-to-day internal control processes of the Group.

This maintains the functional and financial independence of the internal audit function.

During the year under review the Audit committee:

- Reviewed and approved the internal audit terms of reference and charter.
- Evaluated the independence, effectiveness and performance of the Internal Audit function and compliance with its terms of reference.
- Reviewed and approved the annual internal audit plan in consultation with the Group internal audit director, ensuring that material risk areas were included, that the coverage of risks and business processes was acceptable.
- Reviewed and discussed with the Group internal audit director the scope of work of the internal audit function, the issues identified as a result of its work and management's responsiveness to issues raised and agreed action plans.
- Ensured coordination and cooperation between internal audit and the risk management and compliance functions.
- An independent review of the effectiveness of Group internal audit was conducted during year, with no concerns raised.
- Reviewed the performance and confirmed the suitability and appropriateness of the expertise and experience of the Chief Financial Officer.

The Audit committee is satisfied with the appropriateness of the expertise, experience and resources of the internal audit function and that of the audit director.

The Audit committee is satisfied with the appropriateness of the expertise and experience of the Chief Financial Officer, Casper Troskie, and the resources, expertise, succession planning and experience of the Group's finance function.

External auditors

The Audit committee is responsible for the appointment, compensation and oversight of the external auditors for the Group, namely Deloitte and Touche and KPMG Inc.

During the year under review the Audit committee:

- Considered and recommended to the Board the appointment of the joint external auditors Deloitte and Touche (with Alex Arterton as designated registered auditor and joint signing partner of Old Mutual Limited and OMLACSA) and KPMG Inc. (with Pierre Fourie as designated registered auditor and joint signing partner for Old Mutual Limited and Mark Danckwerts as the joint signing partner for OMLACSA). In addition, the committee approved the audit fees for the 2019 year under review.
- Approved the Old Mutual Limited non-audit services policy.
- Monitored and ensured that fees for non-audit services were in line with the Group's policy on non-audit services, which is summarised in the Corporate Governance section of our website.

- Ensured that the appointment and the independence of the external auditors were in compliance with the Companies Act and all other regulatory and legal requirements.
- Reviewed the external auditors findings and recommendations and ensured that matters raised were resolved appropriately.
- Approved the joint external auditors' annual audit plan and ensured that all statutory and financial reporting requirements were met and material risks were identified and appropriately addressed.
- Ensured coordination and cooperation between the external and internal auditors.
- Monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence, as well as the execution of the audit plan.
- Reviewed the arrangements in place to ensure appropriate rotation of the designated external audit partners as required in terms of Section 92 of the Companies Act.
- Confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005.
- Considered reports from subsidiary Audit committees on the activities of subsidiary entities.

The Audit committee reviewed and approved the non-audit Services policy, which governs the type, value and scope of non-audit services that the external auditors are able to perform for the Group. Only those non-audit services that do not impact the external auditors' independence and where it is best placed for the auditors to perform the services are permitted under the policy.

The Audit committee is satisfied with the appropriateness of the expertise, experience and resources of the external auditors, the external audit partners and the quality of the external audit.

Combined assurance

The Audit committee is responsible for overseeing combined assurance activities and ensuring that these are effective in achieving its objectives.

The Group's Combined Assurance framework establishes integrated and coordinated assurance activities between the three lines of assurance across all levels of the organisation. There is continued and ongoing focus on increased collaboration and sharing of information as well as reducing duplication of activities.

In accordance with the principle of proportionality of our Group Governance Framework, both the boards of non-operating holding companies and holding companies with own operations are required to adopt the Combined Assurance Framework and ensure that the framework is implemented within their entity. Any areas of concern are escalated to the Audit committee.

The Audit committee is satisfied that assurance activities result in an adequate, effective control environment and the integrity of reports can be relied upon for decision making.

Committee Training

As a part of the ongoing training for directors, the committee members received training on the new insurance accounting standard IFRS 17, the Group's balance sheet measures and types and uses of capital in the Group.

Committee performance

The performance of the committee is reviewed annually as part of the effectiveness review of the Board and all its committees. The externally facilitated review performed during 2019 concluded that the committee operated effectively and successfully discharged its responsibilities and duties during the year under review.

Key focus areas for 2020

- Monitoring and evaluation of the Group's preparation for the implementation of IFRS 17.
- Continued monitoring of the economic situation in Zimbabwe and assessment of the appropriate accounting treatment and disclosure in the Group financial statements.
- Focus on ensuring that the Group's financial processes and controls operate effectively and are proportionate with the Group's complexity.

Conclusion

The Audit committee is satisfied that it has complied with all statutory duties as well as its duties under its terms of reference for the reporting period.

The Audit committee reviewed the Group Annual Financial Statements for the year ended 31 December 2019 and recommended them for approval to the Board on 11 March 2020.

On behalf of the Audit committee

Nosipho Molohe

Audit committee Chairperson

15 March 2020
Sandton

Independent Auditors' Report

To the shareholders of Old Mutual Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Old Mutual Limited (the Group and Company) set out on pages 17 to 174, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, including a summary of significant accounting policies and the consolidated supplementary income statement but excluding the information marked as "unaudited"; and
- the notes to the company financial statements

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Old Mutual Limited as at 31 December 2019, 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 (IFRS) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and Company in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters set out below relate to our audit of the consolidated financial statements. We have determined that there are no key matters to communicate in respect of our audit of the separate financial statements.

Valuation of life insurance contract liabilities and investment contracts with discretionary participating features (policyholder liabilities) – R340 billion (on a gross basis)

Refer to the accounting policy note A3 and disclosure note G2.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the value of the policyholder liabilities was R340 billion, being R141 billion for insurance contract liabilities and R199 billion for investment contracts with discretionary participating features. These policyholder liabilities are measured in accordance with Standard of Actuarial Practice (SAP) 104 in a manner consistent with IFRS 4 – Insurance Contracts, in the consolidated financial statements.	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Evaluating the design and implementation of controls over the actuarial reserving processes to ensure the appropriateness of key assumptions applied and the assessment by the actuarial review function and the directors of the final measurement of policyholder liabilities.

Valuation of life insurance contract liabilities and investment contracts with discretionary participating features (policyholder liabilities) – R340 billion (on a gross basis)

Refer to the accounting policy note A3 and disclosure note G2.

Key audit matter	How the matter was addressed in our audit
The valuation of policyholder liabilities requires significant judgement and estimation driven by a number of inputs based on a variety of uncertain future outcomes. Judgements also include the policies for creating and releasing discretionary margins. Inputs into the valuation of policyholder liabilities include actuarial assumptions such as mortality and morbidity rates, lapse rates and other key assumptions including discount rates, discontinuance rates, forecast investment returns and maintenance expenses.	<ul style="list-style-type: none"> • Verifying the completeness and accuracy of data included in the valuation models through a combination of evaluating and concluding on the design, implementation and operating effectiveness of associated controls, verifying on a sample basis the data inputs to source documentation and using data analytics to reconcile the data between systems and identify and investigate any anomalies. • Together with our actuarial specialists: <ul style="list-style-type: none"> ▸ Assessing the appropriateness of the methodologies and assumptions applied to value the policyholder liabilities against industry standards, IFRS, SAP 104 and where relevant, market practice; ▸ Challenging key assumptions and the methodologies and processes used to determine and update these assumptions by applying our industry knowledge and expertise and our assessment of the Group's analysis of experience to date. Our challenge focused on the following assumptions; mortality, morbidity and lapse rates, maintenance expenses, discount rates, discontinuance rates and forecast investment returns derived by the ESG; ▸ Assessing the consistency of the data used in experience investigations supporting key changes in assumptions with other audited information and evaluating the results of experience investigations and ensuring they are appropriately applied in the valuations; ▸ Evaluating the appropriateness of discretionary margins applied to ensure the policies are consistent with actuarial guidance, the Group's policies and IFRS; and ▸ Assessing the appropriateness and accuracy of key models used to value the policyholder liabilities, including performing specific analysis and assessment of the revised ESG, testing relevant IT controls, re-calculating certain outputs and assessing the consistency of model outputs with our expectations and the Group's analysis of profits. • Considering the basis of all significant changes to experience reviews, models and methodologies to ensure they are appropriately accounted for in terms of IFRS. • Considering whether the associated disclosures are compliant with IFRS and with the methodologies and assumptions approved by the directors.
The valuation of policyholder liabilities involves the use of complex models dependent on complete and accurate data, which also drives experience studies applied in forming key assumption decisions.	
During the year, the Group concluded experience reviews and implemented model and methodology improvements, including the introduction of an improved and recalibrated economic scenario generator ("ESG"), which is a key component in the modelling of the investment guarantee risk. As set out in accounting policy A3, the impact of these changes resulted in a profit of R932 million being recognised.	
Due to the significant judgement and estimation uncertainty involved in the determination of the policyholder liabilities, the valuation of policyholder liabilities is considered a key audit matter.	

Valuation of investments and securities – R745 billion

Refer to the accounting policy on note A3 and disclosure notes E1, E2 and E3.

Key audit matter	How the matter was addressed in our audit
At 31 December 2019, investments and securities (financial instruments) carried at fair value through profit or loss represented 81.5% of total assets. Level 1 investments and securities amount to R341 billion and represent 45.8% of the total balance.	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Evaluating the design and implementation of controls over the valuation of investments and securities to ensure the accuracy of inputs, the appropriateness of methodologies and the assessment by the directors of the final measurement of the investments and securities. • For level 1 and level 2 financial instruments, verifying observable valuation inputs against independent data for a sample of the investments.

Independent auditors' report

To the shareholders of Old Mutual Limited

Report on the audit of the consolidated and separate financial statements

Valuation of investments and securities – R745 billion

Refer to the accounting policy on note A3 and disclosure notes E1, E2 and E3.

Key audit matter	How the matter was addressed in our audit
<p>As level 1 investments and securities are valued using quoted market prices, we do not consider these to include a high risk of significant misstatement, or to be subject to a significant level of judgment. However, due to their significance in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p> <p>Level 2 investments and securities amount to R376 billion and represented 50.5% of the total balance. The valuation of level 2 financial instruments is determined using models where all significant inputs are observable whilst the valuation of level 3 financial instruments amounting to R24.3 billion is determined using techniques where one or more significant inputs are unobservable. The significant unobservable inputs include adjustments to the discount rate such as equity risk premiums, liquidity discounts, and price earnings ratios (PE ratio/multiple). Consequently, the determination of the fair value of investments and securities classified as level 2 and 3 financial instruments is more complex and/or judgemental, with a higher level of estimation uncertainty.</p> <p>Due to the significance of level 1 investments and securities, the estimation uncertainty involved in determining the fair value of investments and securities classified as level 2 and 3 financial instruments and the audit work effort involved, the valuation of investments and securities is considered to be a key audit matter.</p>	<ul style="list-style-type: none"> • Selecting a sample of level 2 and 3 financial instruments and performing the following procedures: <ul style="list-style-type: none"> › With our own valuation specialists, challenging and assessing the key inputs and assumptions used in the valuation models, such as estimated cash flows, growth rates and discount rates, and critically assessing the valuation methodologies against current market practice and industry standards; › Comparing the valuation models and assumptions applied, ensuring consistency across the group; › Assessing the reasonableness of the estimated cash flows by performing retrospective testing and comparing actual financial performance against previous forecasts; and › Assessing the appropriateness of the pricing multiples used in certain valuations by comparing them with comparable listed companies, adjusted for comparability differences, size and liquidity. • Independently calculating certain disclosure items from source data and assessing whether the disclosures in relation to the fair value hierarchy of the investments and securities and the disclosures around the estimation uncertainty are complete, appropriate and in compliance with IFRS.

Assessment of expected credit losses (ECL) on loans and advances – R4.2 billion

Refer to the accounting policy and disclosure note F1.9

Key audit matter	How the matter was addressed in our audit
<p>The expected credit loss (ECL) assessment for loans and advances requires significant judgements and subjective assumptions to be made in respect of the probability of default (PD), loss given default (LGD) and the exposure at default (EAD) on the unsecured and commercial lending portfolios at Old Mutual Finance, Faulu Microfinance Bank (Faulu) and Central Africa Building Society (CABS).</p> <p>Significant judgement was also applied in assessing significant increases in credit risk and the application of forward looking macroeconomic factors into the impairment/ECL models.</p> <p>Due to the absence of sufficient depth of data and sophistication of the credit risk management system, the directors have to apply significant judgement within a governance framework to determine parameters used in the ECL calculation. In addition, as a result of differences in the availability of data and the maturity of the credit risk management across the Group, different approaches are used to determine key parameters used in the ECL calculations.</p> <p>The increased risk around the completeness and accuracy of data used to create assumptions and run the ECL models and the ongoing volatility of the wider economy in Africa, where the loans and advances are held, increases estimation uncertainty.</p> <p>Due to the significant judgements applied, the estimation uncertainty and the audit work effort required, the ECL assessment is considered to be a key audit matter.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Evaluating the design and implementation of controls over the completeness and accuracy of the data used in the impairment models. • Assessing the reasonability of models and key assumptions applied by the directors by: <ul style="list-style-type: none"> › With our own credit modelling specialists, re-performing the ECL calculation with the use of an independent model and comparing the ECL parameters and estimates to the calculation performed by the directors; › Performing key sensitivity and ECL impact assessments informed by our review of impairment methodologies, the re-performance of the ECL calculation and industry concerns observed in the market; › Performing portfolio trend analysis and investigating anomalies noted; and › Comparing default rates and other impairment events against macro-economic data to determine if a correlation exists that should be factored into the forward-looking information. • Assessing whether disclosures made in relation to ECL are consistent with IFRS.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Old Mutual Limited Annual Financial Statements Consolidated and Separate for the year ended 31 December 2019", which includes the Directors' Report, the Audit Committee Report, the Certificate by the Company Secretary as required by the Companies Act of South Africa and information marked as "unaudited" in the consolidated and separate financial statements, which we obtained prior to the date of this auditors' report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditors' report To the shareholders of Old Mutual Limited

Report on the audit of the consolidated and separate financial statements

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Old Mutual Limited for three years and Deloitte & Touche has been the auditor of Old Mutual Limited for two years.

We also report that KPMG Inc., has been the auditor of the public interest entities within the Old Mutual Limited Group, Old Mutual Life Assurance Company (SA) Limited and Old Mutual Insure Limited, for 29 and 49 years respectively.

KPMG Inc.	Deloitte & Touche
Registered Auditor	Registered Auditor
Per: Pierre Fourie	Per: Alex Arterton
Chartered Accountant (SA)	Chartered Accountant (SA)
Registered Auditor	Registered Auditor
Director	Partner
15 March 2020	15 March 2020
85 Empire Road	1st floor, the Square
Parktown	Cape Quarter
2193	27 Somerset Road
	Green Point
	8005

Consolidated income statement

For the year ended 31 December 2019

Rm	Notes	2019	2018
Continuing operations			
Revenue			
Gross insurance premium revenue	G2	80,758	78,729
Outward reinsurance		(7,998)	(6,683)
Net earned premiums		72,760	72,046
Investment return (non-banking)	D2	86,696	20,511
Banking interest and similar income	D3	5,074	4,532
Banking trading, investment and similar income		187	90
Fee and commission income, and income from service activities	D4	10,548	11,031
Other income		851	1,667
Total revenue and other income	D9	176,116	109,877
Expenses			
Gross claims and benefits (including change in insurance contract provisions)		(93,654)	(65,488)
Reinsurance recoveries		6,324	5,607
Net claims and benefits incurred		(87,330)	(59,881)
Change in investment contract liabilities	G2	(29,756)	5,855
Credit impairment charges	F1.9	(1,878)	(1,060)
Finance costs	D5	(737)	(1,338)
Banking interest payable and similar expenses	D6	(1,275)	(1,005)
Fee and commission expenses, and other acquisition costs	D7	(10,713)	(9,773)
Change in third-party interest in consolidated funds		(8,603)	(8,928)
Other operating and administrative expenses	D8	(23,407)	(25,845)
Total expenses		(163,699)	(101,975)
Share of gains of associated undertakings and joint ventures after tax	I2	2,269	550
Impairment of investments in associated undertakings	I2	(869)	–
Loss on disposal of subsidiaries and associated undertakings		(21)	(2)
Profit before tax		13,796	8,450
Income tax expense	D1	(4,245)	(3,453)
Profit after tax from continuing operations		9,551	4,997
Discontinued operations			
Profit after tax from discontinued operations	K1	104	37,711
Profit after tax for the financial year		9,655	42,708
Attributable to			
Equity holders of the parent		9,386	36,566
Non-controlling interests			
Ordinary shares		269	5,641
Preferred securities		–	501
Profit after tax for the financial year		9,655	42,708
Earnings per ordinary share			
Basic earnings per share – continuing operations (cents)		206.0	105.1
Basic earnings per share – discontinued operations (cents)		2.3	683.0
Basic earnings per ordinary share (cents)	C1(a)	208.3	788.1
Diluted earnings per share – continuing operations (cents)		202.9	104.0
Diluted earnings per share – discontinued operations (cents)		2.3	674.1
Diluted earnings per ordinary share (cents)	C1(b)	205.2	778.1

Consolidated statement of comprehensive income

For the year ended 31 December 2019

Rm	2019	2018
Continuing operations		
Profit after tax for the financial year	9,655	42,708
Other comprehensive income for the financial year		
Items that will not be reclassified to profit or loss		
Gains on property revaluations	448	176
Remeasurement gains on defined benefit plans	112	46
Fair value movements related to own credit risk on borrowed funds ¹	(62)	250
Share of other comprehensive income from associated undertakings and joint ventures	68	(5)
Shadow accounting ²	(168)	(201)
Income tax on items that will not be reclassified to profit or loss	(67)	10
	331	276
Items that may be reclassified to profit or loss		
Fair value adjustments on net investment hedges	-	44
Debt Instruments at FVOCI – Net change in fair value	-	(62)
Currency translation differences on translating foreign operations	(3,872)	(253)
Exchange differences recycled to profit or loss on disposal of businesses	(135)	(1,352)
Share of other comprehensive income from associated undertakings and joint ventures	(284)	(150)
Other movements	-	243
	(4,291)	(1,530)
Total other comprehensive loss for the financial year from continuing operations	(3,960)	(1,254)
Discontinued operations		
Total other comprehensive income for the financial year from discontinued operations after tax	98	496
	(3,862)	(758)
Total other comprehensive loss for the financial year	(3,862)	(758)
Total comprehensive income for the financial year	5,793	41,950
Attributable to		
Equity holders of the parent	5,596	35,707
Non-controlling interests		
Ordinary shares	197	5,742
Preferred securities	-	501
Total comprehensive income for the financial year	5,793	41,950

¹ Amounts relating to own credit risk are released through equity when the financial liability is derecognised.

² Shadow accounting is an adjustment, permitted by IFRS 4 'Insurance contracts', to allow for the impact of recognising unrealised gains or losses on insurance assets and liabilities in a consistent manner to the recognition of the unrealised gain or loss on financial assets that have a direct effect on the measurement of the related insurance assets and liabilities.

Consolidated supplementary income statement

For the year ended 31 December 2019

Rm	2019	2018 (Re-presented) ¹
Mass and Foundation Cluster	3,527	3,129
Personal Finance	1,730	2,021
Wealth and Investments	1,447	1,611
Old Mutual Corporate	1,816	1,703
Old Mutual Insure	233	670
Rest of Africa ¹	496	430
Net expenses from central functions	(277)	(425)
Results from Operations	8,972	9,139
Shareholder investment return ¹	2,102	1,188
Finance costs	(737)	(601)
Share of gains of associated undertakings and joint ventures after tax	2,528	2,593
Adjusted Headline Earnings before tax and non-controlling interests	12,865	12,319
Shareholder tax ¹	(2,874)	(2,686)
Non-controlling interests ¹	(135)	(237)
Adjusted Headline Earnings after tax and non-controlling interests²	9,856	9,396
Adjusted weighted average number of ordinary shares (millions)	C1(a)	4,709
Adjusted Headline Earnings per share (cents)¹	209.3	195.1

Reconciliation of Adjusted Headline Earnings to IFRS profit after tax

Rm	Notes	2019	2018
Adjusted Headline Earnings after tax and non-controlling interests¹		9,856	9,396
Investment return on group equity and debt instruments held in policyholder funds	A1.5(a)	474	(219)
Impact of restructuring	A1.5(b)	(580)	(700)
Discontinued operations	A1.5(c)	74	8,129
Share of gains of associated undertakings after tax	A1.5(d)	-	(2,132)
Operations in hyperinflationary economies ¹	A1.5(e)	441	2,116
Non-core operations	A1.5(f)	376	(2,349)
Headline Earnings		10,641	14,241
Impairment of goodwill and other intangible assets and property, plant and equipment		(395)	(627)
Impairment of associated undertakings		(869)	(265)
Profit on disposal of property, plant and equipment		-	51
Profit on disposal of subsidiaries and associated undertakings		9	23,166
Profit after tax for the financial year attributable to equity holders of the parent		9,386	36,566

¹ The Rest of Africa Segment, Results from Operations, Adjusted Headline Earnings and Adjusted Headline Earnings per share (cents) for the year ended 31 December 2018 have been re-presented to remove Zimbabwe. Refer to note A1.5(e) for more information.

² Refer to note A1.5 for more information on the basis of preparation of Adjusted Headline Earnings (AHE) and the adjustments applied in the determination of AHE.

Consolidated statement of financial position

At 31 December 2019

Rm	Notes	2019	2018
Assets			
Goodwill and other intangible assets	H1	6,276	5,831
Mandatory reserve deposits with central banks		141	145
Property, plant and equipment	H2(a)	9,892	7,741
Investment property	H2(b)	34,992	34,512
Deferred tax assets	H7(a)	1,155	938
Investments in associated undertakings and joint ventures	I2	26,251	26,679
Deferred acquisition costs	H3	1,978	1,925
Loans and advances	F1	21,007	21,243
Investments and securities	G1	744,965	708,638
Reinsurers' share of policyholder liabilities	G2	8,385	7,902
Current tax receivable		309	429
Trade, other receivables and other assets	H4	21,082	20,567
Derivative financial instruments		3,221	2,779
Cash and cash equivalents		30,474	32,339
Assets held for sale	K2	774	12,787
Total assets		910,902	884,455
Liabilities			
Life insurance contract liabilities	G2	141,156	143,926
Investment contract liabilities with discretionary participating features	G2	198,483	188,355
Investment contract liabilities	G2	314,071	287,774
Property and Casualty liabilities	G2	8,860	9,099
Third-party interests in consolidated funds		80,814	80,855
Borrowed funds	G3	18,989	16,888
Provisions and accruals	H5	2,060	1,799
Deferred revenue	H6	513	472
Deferred tax liabilities	H7(b)	4,134	4,059
Current tax payable		1,635	1,385
Trade, other payables and other liabilities	H8	52,520	47,167
Amounts owed to bank depositors	G4	4,908	7,213
Derivative financial instruments		4,834	5,327
Liabilities held for sale		-	8,716
Total liabilities		832,977	803,035
Net assets		77,925	81,420
Shareholders' equity			
Equity attributable to equity holders of the parent		74,763	78,021
Non-controlling interests			
Ordinary shares		3,162	3,399
Total non-controlling interests		3,162	3,399
Total equity		77,925	81,420

Consolidated statement of cash flows

For the year ended 31 December 2019

Rm	Notes	2019	2018
Cash flows from operating activities			
Profit before tax		13,796	8,450
Non-cash movements in profit before tax		(12,905)	21,841
Net changes in working capital		15,405	(787)
Taxation paid		(4,144)	(3,979)
Net cash inflow from operating activities – continuing operations		12,152	25,525
Cash flows from investing activities			
Acquisition of financial investments		(7,924)	(5,196)
Acquisition of investment properties	H2(b)	(1,072)	(2,352)
Proceeds from disposal of investment properties	H2(b)	35	427
Dividends received from associated undertakings		1,513	29
Acquisition of property, plant and equipment	H2(a)	(935)	(550)
Proceeds from disposal of property, plant and equipment		150	209
Acquisition of intangible assets		(989)	(53)
Acquisition of interests in subsidiaries, associated undertakings and joint ventures		(149)	(1,213)
Proceeds from the disposal of interests in subsidiaries, associated undertakings and joint ventures		4,258	4,206
Net cash outflow from investing activities – continuing operations		(5,113)	(4,493)
Cash flows from financing activities			
Dividends paid to			
Ordinary equity holders of the parent	C4	(5,383)	(9,965)
Non-controlling interests and preferred security interests		(69)	(272)
Interest paid (excluding banking interest paid)		(804)	(899)
Proceeds from issue of ordinary shares		-	251
Net disposal of treasury shares – ordinary shares		289	1,137
Share buyback transactions		(4,900)	-
Proceeds from issue of subordinated and other debt		5,739	5,736
Subordinated and other debt repaid		(3,211)	(8,625)
Net cash outflow from financing activities – continuing operations		(8,339)	(12,637)
Net cash (outflow)/inflow – continuing operations		(1,300)	8,395
Net cash outflow from discontinued operations	K1(c)	(375)	(76,420)
Effects of exchange rate changes on cash and cash equivalents		(588)	569
Cash and cash equivalents at beginning of the year		32,878	100,334
Cash and cash equivalents at end of the year		30,615	32,878
Comprising			
Mandatory reserve deposits with central banks		141	145
Cash and cash equivalents		30,474	32,339
Included in assets held for sale and distribution			
Cash and cash equivalents		-	394
Total		30,615	32,878

Cash and cash equivalents comprise cash balances and highly liquid short term funds, mandatory reserve deposits held with central banks, cash held in investment portfolios awaiting reinvestment and cash and cash equivalents subject to the consolidation of funds.

Except for mandatory reserve deposits with central banks of R141 million (2018: R145 million) and cash and cash equivalents consolidated as part of the consolidation of funds of R8,731 million (2018: R7,058 million), management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations.

Consolidated statement of changes in equity

For the year ended 31 December 2019

Rm	Notes	Millions											
		Number of shares issued and fully paid	Share capital	Merger reserve	Fair-value reserve ³	Property revaluation reserve	Share-based payments reserve	Other reserves ¹	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
Shareholders' equity at beginning of the year		4,942	89	1,133	14	758	1,162	(690)	(3,608)	79,163	78,021	3,399	81,420
Profit after tax for the financial year		-	-	-	-	-	-	-	-	9,386	9,386	269	9,655
Other comprehensive income for the financial year													
Items that will not be reclassified to profit or loss													
Gains on property revaluations	H2(a)	-	-	-	-	438	-	-	-	-	438	10	448
Remeasurement gains on defined benefit plans		-	-	-	-	-	-	-	-	112	112	-	112
Fair value movement related to credit risk on borrowed funds ¹		-	-	-	-	-	-	262	-	(324)	(62)	-	(62)
Share of other comprehensive income from associated undertakings and joint ventures		-	-	-	-	37	-	-	-	31	68	-	68
Shadow accounting		-	-	-	-	(168)	-	-	-	-	(168)	-	(168)
Income tax on items that will not be reclassified to profit or loss	D1(c)	-	-	-	-	(36)	-	-	-	(31)	(67)	-	(67)
		-	-	-	-	271	-	262	-	(212)	321	10	331
Items that may be reclassified to profit or loss													
Currency translation differences on translating foreign operations		-	-	-	-	-	-	-	(3,692)	-	(3,692)	(82)	(3,774)
Exchange differences reclassified to profit or loss on disposal of businesses		-	-	-	-	-	-	-	(135)	-	(135)	-	(135)
Share of other comprehensive income from associated undertakings and joint ventures		-	-	-	(94)	-	-	-	(190)	-	(284)	-	(284)
Total comprehensive income for the financial year		-	-	-	(94)	271	-	262	(4,017)	9,174	5,596	197	5,793
Transactions with the owners of the Company													
Contributions and distributions													
Dividends for the year	C4	-	-	-	-	-	-	-	-	(5,383)	(5,383)	(69)	(5,452)
Share-based payment reserve movements		-	-	-	-	-	(122)	-	-	-	(122)	-	(122)
Transfer between reserves		-	-	-	-	(414)	(277)	248	221	222	-	-	-
Merger reserve transferred from sale of Latin American businesses		-	-	(1,133)	-	-	-	-	-	1,133	-	-	-
Share buyback transactions		(233)	(4)	-	-	-	-	-	-	(4,896)	(4,900)	-	(4,900)
Other movements in share capital ²		-	-	-	-	-	-	-	-	1,578	1,578	(31)	1,547
Total contributions and distributions		(233)	(4)	(1,133)	-	(414)	(399)	248	221	(7,346)	(8,827)	(100)	(8,927)
Changes in ownership and capital structure													
Change in participation in subsidiaries		-	-	-	-	-	-	-	-	(27)	(27)	(334)	(361)
Total changes in ownership and capital structure		-	-	-	-	-	-	-	-	(27)	(27)	(334)	(361)
Total transactions with the owners of the Company		(233)	(4)	(1,133)	-	(414)	(399)	248	221	(7,373)	(8,854)	(434)	(9,288)
Shareholders' equity at end of the year		4,709	85	-	(80)	615	763	(180)	(7,404)	80,964	74,763	3,162	77,925

¹ Included in the closing balance for other reserves is a R180 million (2018: R442 million) liability credit reserve on borrowed funds. The Group recognises fair value gains and losses on the borrowed funds designated at fair value through profit or loss. The cumulative fair value gains and losses as a result of changes in the credit risk of the issued bonds are recognised in other comprehensive income and not in profit or loss. The Group released R13 million of the liability credit reserve directly to retained earnings on the repayment of the R1,000 million unsecured subordinated debt. Refer to note A2 for more information.

² Other movements in share capital includes a movement in retained earnings of R960 million relating to own shares held by consolidated investment funds, employee share trusts and policyholder funds. These shares are treated as treasury shares in the consolidated financial statements.

³ The fair value reserve comprises all fair value adjustments relating to investments in debt and equity instruments of equity accounted associated undertakings that are subsequently measured of FVOCI within the financial statements of these associated undertakings.

Consolidated statement of changes in equity

For the year ended 31 December 2018

Rm	Notes	Millions												
		Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Fair-value reserve	Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
Shareholders' equity at beginning of the year		4,933	10,150	19,324	20,639	190	2,744	3,813	969	(3,932)	82,781	136,678	46,767	183,445
Impact of adopting IFRS 9 and IFRS 15, net of tax		-	-	-	-	620	-	-	(914)	-	(2,384)	(2,678)	(1,659)	(4,337)
Restated opening balance		4,933	10,150	19,324	20,639	810	2,744	3,813	55	(3,932)	80,397	134,000	45,108	179,108
Profit after tax for the financial year		-	-	-	-	-	-	-	-	-	36,566	36,566	6,142	42,708
Other comprehensive income for the financial year														
Items that will not be reclassified to profit or loss														
Gains/(losses) on property revaluations		-	-	-	-	-	33	-	-	-	47	80	(47)	33
Remeasurement losses on defined benefit plans		-	-	-	-	-	-	-	-	-	(110)	(110)	(75)	(185)
Share of other comprehensive income from associated undertakings and joint ventures		-	-	-	-	-	-	-	-	-	(21)	(21)	-	(21)
Shadow accounting		-	-	-	-	-	(201)	-	-	-	-	(201)	-	(201)
Income tax on items that will not be reclassified to profit or loss	D1(c)	-	-	-	-	-	61	-	-	-	54	115	-	115
		-	-	-	-	-	(107)	-	-	-	(30)	(137)	(122)	(259)
Items that may be reclassified to profit or loss														
Fair value adjustments on net investment hedges		-	-	-	-	-	-	-	-	44	-	44	-	44
Debt instruments at FVOCI – net change in fair value		-	-	-	-	(240)	-	-	-	-	80	(160)	(80)	(240)
Currency translation differences on translating foreign operations		-	-	-	-	-	-	-	-	523	-	523	262	785
Exchange differences reclassified to profit or loss on disposal of businesses		-	-	-	-	-	-	-	-	(1,352)	-	(1,352)	-	(1,352)
Fair value movements related to credit risk on borrowed funds		-	-	-	-	-	-	-	250	-	-	250	-	250
Share of other comprehensive income from associated undertakings and joint ventures		-	-	-	-	(222)	-	-	-	160	(122)	(184)	(28)	(212)
Other movements		-	-	-	-	16	-	-	90	-	51	157	69	226
Total comprehensive income for the financial year		-	-	-	-	(446)	(107)	-	340	(625)	36,545	35,707	6,243	41,950
Transactions with the owners of the Company														
Contributions and distributions														
Dividends for the year	C4	-	-	-	-	-	-	-	-	-	(9,965)	(9,965)	(3,938)	(13,903)
Share-based payment reserve movements		-	-	-	-	-	-	674	-	-	-	674	-	674
Transfer between reserves		-	-	-	-	(350)	(1,879)	(3,325)	(1,085)	949	5,690	-	-	-
Demerger of Quilter plc from Old Mutual plc		-	-	-	-	-	-	-	-	-	(42,935)	(42,935)	-	(42,935)
Merger reserve released from demerger of Quilter plc		-	-	-	(19,506)	-	-	-	-	-	19,506	-	-	-
Unbundling of Nedbank		-	-	-	-	-	-	-	-	-	(38,867)	(38,867)	-	(38,867)
Other movements in share capital		9	18	233	-	-	-	-	-	-	(466)	(215)	222	7
Total contributions and distributions		9	18	233	(19,506)	(350)	(1,879)	(2,651)	(1,085)	949	(67,037)	(91,308)	(3,716)	(95,024)
Changes in ownership and capital structure														
Capital reduction of Old Mutual plc		-	(10,079)	(19,557)	-	-	-	-	-	-	29,636	-	-	-
Unbundling of non-controlling interests in Nedbank		-	-	-	-	-	-	-	-	-	-	-	(44,532)	(44,532)
Change in participation in subsidiaries		-	-	-	-	-	-	-	-	-	(378)	(378)	296	(82)
Total changes in ownership and capital structure		-	(10,079)	(19,557)	-	-	-	-	-	-	29,258	(378)	(44,236)	(44,614)
Total transactions with owners of the Company		9	(10,061)	(19,324)	(19,506)	(350)	(1,879)	(2,651)	(1,085)	949	(37,779)	(91,686)	(47,952)	(139,638)
Shareholders' equity at end of the year		4,942	89	-	1,133	14	758	1,162	(690)	(3,608)	79,163	78,021	3,399	81,420

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

A: Significant accounting policies

A1: Basis of preparation

1.1 Statement of compliance

Old Mutual Limited (the Company) is a company incorporated in South Africa.

The financial statements for the year ended 31 December 2019 consolidate the results of the Company and its subsidiaries (together 'the Group') and equity account the Group's interest in associates and joint ventures (other than those held by investment-linked insurance funds and investments in venture capital divisions which are accounted for as investments at fair value through profit or loss).

The consolidated and separate financial statements (financial statements) comprise the consolidated and separate statements of financial position at 31 December 2019, the consolidated income statement, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year ended 31 December 2019 and explanatory notes to the consolidated and separate financial statements (including the consolidated supplementary income statement). The financial statements are prepared on the going concern basis, which the directors believe is appropriate, taking into account the Group's most recent business plan and the capital and liquidity position. The financial statements were approved by the board of directors on 15 March 2020.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the IASB, including interpretations to IFRS as issued by the IFRS Interpretations Committee (IFRIC), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements, and requirements of the Companies Act, no 71 of 2008 (Companies Act).

The accounting policies applied in the preparation of these financial statements are consistent with those applied in the preparation of the Group's 2018 consolidated financial statements, except for standards, amendments to standards and interpretation adopted in the 2019 financial statements. Refer to note L for more information.

1.2 Comparative information

Comparative information presented at and for the year ended 31 December 2018 within these financial statements has been correctly extracted from the Group's audited consolidated financial statements for the year ended 31 December 2018 (prior year financial statements). The consolidated supplementary income statement has been re-presented to remove Zimbabwe from the Rest of Africa Segment, Results from operations and Adjusted Headline Earnings. Refer to note A1.5(e) for more information.

1.3 Accounting policy elections

The following significant accounting policy elections have been made by the Group:

Area	Details
Financial instruments	The Group has elected to designate certain financial assets and liabilities at fair value through profit or loss to reduce the accounting mismatch that would arise otherwise. Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting.
Investment properties	The Group has elected to recognise all investment properties at fair value, with changes in fair value being recognised in profit or loss.
Property, plant and equipment	Land and buildings are stated at revalued amounts, being fair value less subsequent depreciation and impairment. Revaluation surpluses are recognised in equity, through other comprehensive income. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained earnings. Plant and equipment are carried at cost less accumulated depreciation.
Investment in venture capital divisions and investment-linked insurance funds	In venture capital divisions and investment-linked insurance funds, the Group has elected to carry associate and joint-venture entities at fair value through profit or loss.
Policyholder liabilities: insurance contracts and investment contracts with discretionary participating features	Although not an accounting policy election, the measurement of policyholder liabilities under IFRS 4 Insurance Contracts currently refers to existing local practice. In South Africa, the valuation basis of such policyholder liabilities is made in accordance with the Financial Soundness Valuation basis as set out in actuarial guidance issued by the Actuarial Society of South Africa in Standard of Actuarial Practice (SAP) 104. Under this guidance, provisions are valued using realistic expectations of future experience, with margins for prudence and deferral of profit emergence. For territories outside of South Africa, local actuarial practices and methodologies are applied.
Investments in subsidiaries, associated undertakings and joint ventures	The Group has elected to recognise these investments at cost in the Company financial statements.

1.4 Foreign currency translation

Translation of foreign operations into the Group's presentation currency

The assets and liabilities of foreign operations are translated from their respective functional currencies into the Group's presentation currency, using the period-end exchange rates, and their income and expenses using the average exchange rates for the year. Cumulative translation gains and losses up to 1 January 2015, being the effective date of the Group's conversion to IFRS, were reset to zero. Other than in respect of cumulative translation gains and losses up to 1 January 2015, cumulative unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. Upon the disposal of subsidiaries, the cumulative amount of exchange differences post 1 January 2015, deferred in shareholders' equity, net of attributable amounts in relation to hedged net investments, is recognised in profit or loss. The accounting for Zimbabwe as a hyperinflationary economy is excluded from this policy and is explained in note A3(b) below.

The exchange rates used to translate the operating results, assets and liabilities of key foreign businesses to rand are:

	Year ended 31 December 2019		Year ended 31 December 2018	
	Income statement (average rate)	Statement of financial position (closing rate)	Income statement (average rate)	Statement of financial position (closing rate)
Pound sterling	18.4482	18.5598	17.6892	18.2978
Kenyan shilling	0.1416	0.1381	0.1308	0.1410
Zimbabwe Dollar (ZWL\$)	0.8347	0.8347	4.3210	4.3520

1.5 Basis of preparation of Adjusted Headline Earnings

Purpose of Adjusted Headline Earnings

Adjusted Headline Earnings (AHE) is an alternative non-IFRS profit measure used alongside IFRS profit to assess performance of the Group. It is one of a range of measures used to assess management performance and performance based remuneration outcomes. In addition, it is used in setting the dividend to be paid to shareholders. Non-IFRS measures are not defined by IFRS, are not uniformly defined or used by all entities and may not be comparable with similarly labelled measures and disclosures provided by other entities.

Due to the complexity introduced into IFRS profit by the transactions required to execute Managed Separation and the long term nature of the Group's operating businesses, management considers that AHE is an appropriate alternative basis by which to assess the operating results of the Group and that it enhances the comparability and understanding of the financial performance of the Group. It is calculated as headline earnings in accordance with JSE Listings Requirements and SAICA circular 01/2019 adjusted for items that are not considered reflective of the long term economic performance of the Group. AHE is presented to show separately the Results from Operations, which measure the operational performance of the Group from items such as investment return, finance costs and income from associated undertakings. The adjustments from headline earnings to AHE are explained below.

The Group Audit committee regularly reviews the determination of AHE and the use of adjusting items to confirm that it remains an appropriate basis against which to analyse the operating performance of the Group. The Committee assesses refinements to the policy on a case-by-case basis, and seeks to minimise such changes in order to maintain consistency over time.

The adjustments applied in the determination of AHE are:

(a) Investment return on Group equity and debt instruments held in policyholder funds

Represents the investment returns on policyholder investments in Group equity and debt instruments held by the Group's policyholder funds. This includes investments in the Company's ordinary shares and the subordinated debt and ordinary shares issued by subsidiaries of the Group. These investment returns are eliminated within the consolidated income statement in arriving at profit before tax, but are added back in the calculation of AHE. This ensures consistency with the measurement of the related policyholder liability.

(b) Impact of restructuring

Represents the elimination of non-recurring expenses or income related to material acquisitions, disposals or a fundamental restructuring of the Group. This adjustment would therefore include items such as the costs or income associated with completed acquisitions or disposals and the release of any acquisition date provisions. These items are removed from AHE as they are not representative of the operating activity of the Group and by their nature they are not expected to persist in the long term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

A: Significant accounting policies

A1: Basis of preparation

1.5 Basis of preparation of Adjusted Headline Earnings

(c) Discontinued operations

Represents the removal of the profit after tax associated with discontinued operations. These businesses are not considered part of the Group's principal operations due to the fact they have been or are in the process of being sold or distributed and therefore will not form part of the Group going forward. The profit attributable to these businesses, included the profit or loss recognised on the ultimate distribution or disposal of the business, is removed from AHE. For the period ended 31 December 2019 this adjustment includes the profit attributable to Latin America and Old Mutual Bermuda. The comparative period includes the profit attributable to Quilter plc, Nedbank, Latin America and Old Mutual Bermuda.

(d) Share of gains of associated undertakings after tax

This adjustment is no longer required due to the fact that there is no longer a mismatch in the presentation of our 19.9% stake in Nedbank between AHE and IFRS profit after tax attributable to equity holders of the parent.

(e) Operations in hyperinflationary economies

Until such time as we are able to access capital by way of dividends from the business in Zimbabwe, we will manage it on a ring fenced basis and exclude its results from AHE. The lack of ability to access capital by way of dividends is exacerbated by the volatility that a hyperinflationary economy and the reporting thereof introduces. This adjustment has been applied from 1 January 2019 and we have restated comparatives to reflect this decision.

(f) Non-core operations

Represents the elimination of the results of businesses or operations classified as non-core. This adjustment represents the net losses associated with the operations of the Residual plc. Residual plc is not considered part of the Group's principal operations due to the fact that it is in the process of winding down and therefore the associated costs are removed from AHE.

1.6 Basis of preparation of other non IFRS measures

The Group uses AHE in the calculation of various other non IFRS measures which are used by management, alongside IFRS metrics, to assess performance. Non IFRS measures are not defined by IFRS, are not uniformly defined or used by all entities and may not be comparable with similarly labelled measures and disclosures provided by other entities. The basis of preparation of each is outlined below.

(a) Return on Adjusted Net Asset Value (RoNAV)

RoNAV (expressed as a percentage), is calculated as AHE divided by the average of the opening and closing balances of Adjusted IFRS equity. Adjusted IFRS equity is calculated as IFRS equity attributable to operating segments before adjustments related to the consolidation of funds. It excludes equity related to the Residual plc, discontinued operations and operations in hyperinflationary economies. It is further adjusted to remove the one-off fair value adjustment that arose on the unbundling of Nedbank. This adjustment reflects the difference between the fair value and the net asset value of our retained interest in Nedbank on the date of unbundling. A reconciliation is presented in note C3.

RoNAV is used to assess and measure the capital efficiency of the Group and it is one of a range of measures by which management performance and remuneration is assessed. Due to the complexity introduced into IFRS equity by the transactions required to execute Managed Separation, management considers RoNAV an appropriate alternative measure to assess performance. The adjustments made to Adjusted IFRS equity mirror these made in AHE to ensure consistency of the numerator and denominator in the calculation of RoNAV.

(b) AHE per share

AHE per share is calculated as AHE divided by the Adjusted weighted average number of shares. The weighted average number of shares is adjusted to reflect the Group's BEE shares and the shares held in policyholder funds and consolidated investment funds as being in the hands of third parties, consistent with the treatment of the related revenue in AHE. Refer to note C1 for more information.

AHE per share is used alongside IFRS earnings, to assess performance of the Group. It is also used in assessing and setting the dividend to be paid to shareholders.

A2: Significant corporate activity and business changes during the year

Disposals completed during the year

Disposal of the Latin American businesses

On 1 April 2019, the Group completed the disposal of the Latin American businesses to Lilly Bermuda Capital Limited (SPV domiciled in Bermuda), owned by CMIG International Holding Private Limited for a cash consideration of R4,144 million, net of transaction costs. A profit on disposal after tax of R30 million has been recognised in profit or loss, including a gain of R135 million from the recycling of foreign currency translation reserves. Merger reserves of R1,133 million created on the original acquisition of the Latin American businesses was transferred to retained earnings and are no longer classified as non-distributable.

Consistent with prior period reporting, the Latin American businesses have been classified as discontinued operations for the period from 1 January 2019 until disposal on 1 April 2019. Refer to note K1 for more information.

The following table provides an analysis of the assets and liabilities the Group disposed of on 1 April 2019. In addition, it reflects the assets and liabilities of these businesses classified as held for sale at 31 December 2018:

Rm	1 April 2019	31 December 2018
Assets		
Goodwill and other intangible assets	969	969
Property, plant and equipment	287	267
Deferred acquisition costs	509	484
Investments and securities	10,144	9,609
Other assets	895	763
Cash and cash equivalents	627	394
Total assets	13,431	12,486
Liabilities		
Life insurance contract liabilities	2,052	1,965
Investment contract liabilities	6,498	5,968
Other financial liabilities	13	13
Other liabilities	917	767
Total liabilities	9,480	8,713
Net assets	3,951	3,773

Acquisitions during the year

On 4 July 2019, Old Mutual Real Estate Holding Company (Proprietary) Limited, through its subsidiaries Lions Head Investments E.A.D and Lions Head Romania Holdco EOOD, purchased 100% of the equity of Portland Trust Developments Three s.r.l for a total cash consideration of €10 million (R158 million). The transaction has been accounted for in terms of IFRS 3 'Business Combinations' and a full purchase price allocation will be performed within twelve months.

The fair value of the net assets purchased was €12 million (R191 million). Consequently, a gain on bargain purchase of €2 million (R25 million) has been recognised in profit or loss. Included in the net assets acquired are investment properties with a fair value of €58 million (R923 million), other assets of €6 million (R96 million), cash and cash equivalents of €3 million (R44 million), bank and other loan liabilities of €48 million (R761 million) and other liabilities of €7 million (R111 million).

This acquisition consists largely of investment property that will form part of the Group's long term insurance policyholder investment portfolio, backing linked investments and with profit investment contract liabilities.

Share buybacks

During the year ended 31 December 2019, the Company repurchased 233,494,706 of its issued ordinary shares on the Johannesburg Stock Exchange (JSE) as part of two separate share repurchase programmes announced on 11 March 2019 and 2 September 2019 respectively.

The first tranche of share buybacks concluded on 21 May 2019. The aggregate number of shares repurchased amounted to 110,783,507 at prices ranging between 2,118 cents and 2,399 cents per share, resulting in a total cash outflow of R2.5 billion.

The second tranche of share buybacks concluded on 8 October 2019. The aggregate number of shares repurchased amounted to 122,711,199 at prices ranging between 1,767 cents and 2,019 cents per share, resulting in a total cash outflow of R2.4 billion.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

A: Significant accounting policies

A2: Significant corporate activity and business changes during the year

The repurchased shares have been cancelled as issued shares and have reverted back to authorised but unissued share capital status.

Financing activities during the period

On 11 June 2019, Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA) issued R2 billion floating rate subordinated debt instruments under the R10 billion Unsecured Subordinated Note Programme as guaranteed by Old Mutual Limited dated 23 May 2019. These instruments have a coupon rate of 3 month Johannesburg Interbank Average Rate (JIBAR) plus 155 bps, payable quarterly in arrears. The maturity date of these instruments is 11 June 2024.

On 27 November 2019, OMLACSA repaid a R300 million unsecured subordinated callable fixed rate note, including a final coupon of R16 million and a R700 million unsecured subordinated callable floating rate note, including a final coupon of R14 million. Both these instruments had a first call date of 27 November 2019. Refer to note G3 for more information. The Group released R13 million of the liability credit reserve directly to retained earnings on repayment of this debt.

A3: Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The critical accounting estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the preparation of the consolidated financial statements of Old Mutual Limited for the year ended 31 December 2018, with the exception of certain judgements made in respect of the fair value of property assets and accounting matters related to Zimbabwe, as outlined below and the implementation of IFRS 16 which is set out in note L.

The following sets out the items that require the Group to make critical estimates and judgements in the application of the relevant accounting policy, with additional detail provided below on key accounting judgements applied in the current year.

Critical accounting estimate	Accounting policy reference
Measurement of policyholder liabilities	G2
Fair value measurement of financial assets and liabilities	E1/E2/E3
Estimation of uncertain tax positions	D1/H7/J4
Investments in subsidiaries, associated undertakings and joint ventures	I1/I2/I3
Impairment allowances for loans and advances	F1/L
Impairment of goodwill and other intangible assets	H1
Fair value of property assets	H2(b)

(a) Measurement of policyholder liabilities

The policyholder liabilities are generally calculated using discounted probability weighted projected cashflows, relying on a number of assumptions about future experience (e.g. policyholder mortality and persistency rates). These assumptions are monitored regularly against actual experience, both through the reported variances in the analysis of profits, as well as through more formal experience investigations (based on statistical analysis of historical policyholder data).

Assumptions are set on a long term basis, and are not expected to be changed frequently. Based on the analysis of past experience, and actuarial judgement around likely future trends, a current long term assumption may be an inappropriate representation of future expected experience. In this case a change is made to the long term assumption to set it at a more appropriate level. There may also be instances where a short term change in assumptions is indicated (e.g. if persistency rates over the next 3 years are likely to deviate from the long term assumptions, but is then expected to revert to the assumed long term level). A short term reserve will be created to ensure appropriate total reserves are held over this period of shortfall. This short term reserve will be released to offset the expected short term unusual experience as it emerges. The expected results of any future management interventions will also be taken into account where relevant. There is a strict governance process for making changes to the valuation assumptions (both short and long term). This process runs in the months before and after a valuation date, to ensure that only appropriate assumptions are included in that reporting period's policyholder liability calculations.

During the year we concluded several experience reviews across our life business in South Africa, the results of which were captured in our year end basis change process. We have also implemented several model and methodology improvements. Overall the net impact of these basis changes to the Group's profits was R932 million. Although positive at a total level, there were some significant segment profit impacts due to the differing outcome of the experience reviews at a segment level.

The table below summarises the basis and assumption changes made in 2019.

Rm	Year ended 31 December 2019					Year ended 31 December 2018				
	Group	Mass and Foundation Cluster	Personal Finance	Old Mutual Corporate	Rest of Africa	Group	Mass and Foundation Cluster	Personal Finance	Old Mutual Corporate	Rest of Africa
Non-economic basis changes	(81)	1,330	(1,447)	74	(38)	43	363	(355)	(21)	56
Economic basis changes	1,013	-	772	217	24	(1)	-	(1)	-	-
Total basis changes	932	1,330	(675)	291	(14)	42	363	(356)	(21)	56

The non-economic basis change reflects the net impact of changes in our mortality, persistency and expense assumptions and associated modelling.

We completed a review of our mortality basis across the South African life business. In Mass and Foundation Cluster, where we have seen recent periods of mortality profit, this resulted in a release of reserves, partially offset by an allocation of a portion of the value to our customers, consistent with our historic treatment of similar profits in the past. In Personal Finance, the mortality basis change was negative, reflecting both poor mortality experience in certain cohorts over recent periods and the impact of removing worsening cross-subsidies across cohorts.

Changes were also made to the persistency basis to recognise observed changes in persistency. In Mass and Foundation Cluster there was a negative impact from increasing lapse assumptions, while in Personal Finance there was a negative impact from reducing longer duration lapse assumptions in our Greenlight product.

The Personal Finance mortality and persistency impact was partially offset by the positive impact of reserving for expected future premium increases on policies that reach the end of their premium guarantee term.

The economic basis changes mostly reflect the impact of a release from our investment guarantee reserves, supported by the introduction of an improved and recalibrated economic scenario generator (ESG), which is a key component in the modelling of our investment guarantee risk.

(b) Accounting matters relating to Zimbabwe

Assessment of Zimbabwe as a hyperinflationary economy

During the first half of 2019 the Group concluded that Zimbabwe was a hyperinflationary economy. This decision was made after careful assessment of the relevant factors including the rapid increase in official inflation rates and fuel prices as well as significant deterioration in the interbank ZWL exchange rate during the period. Subsequent to this, the Zimbabwe Public Accountants and Auditors Board have confirmed that Zimbabwe is a hyperinflationary economy, thereby confirming the appropriateness of this treatment.

Application of hyperinflationary accounting

The results of our operations with a functional currency of ZWL have been prepared in accordance with IAS 29 – 'Financial Reporting in Hyperinflationary Economies' (IAS 29) as if the economy had been hyperinflationary from 1 October 2018. This date coincided with the date on which the functional currency for our businesses in Zimbabwe changed from a US dollar (as stable currency) to the ZWL and the official inflation rate was low and stable up to that point. Hyperinflationary accounting requires transactions and balances to be stated in terms of the measuring unit current at the end of the reporting period in order to account for the effect of loss of purchasing power during the period. The Group has elected to use the Zimbabwe Consumer Price Index (CPI) of 551.8 at 31 December 2019 as the general price index to restate amounts as CPI provides an official observable indication of the change in the price of goods and services.

The carrying amounts of non-monetary assets and liabilities carried at historic cost have been remeasured to reflect the change in the general price index from 1 October 2018 to the end of the reporting period. An impairment loss has been recognised in profit or loss where the remeasured amount of a non-monetary item exceeds its estimated recoverable amount. No adjustment has been made for those non-monetary assets and liabilities carried at fair value.

Gains or losses on the net monetary position have been recognised in the income statement. All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred unless they relate to items already accounted for at fair value, with the corresponding adjustment presented in the income statement. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

Comparative amounts in the Group financial statements have not been restated for changes in the price level from 1 October 2018 as the presentation currency of the Group is that of a non-hyperinflationary economy.

The impact of applying IAS 29 in the current year resulted in an increase in net asset value and profit after tax of R187 million.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

A: Significant accounting policies

A3: Critical accounting estimates and judgements

Exchange rate applied in translating the results, net assets and cash flows of the Group's businesses in Zimbabwe

In accordance with the provisions of IAS 21 – 'The Effects of Changes in Foreign Exchange Rates' the results, net assets and cash flows have been translated at the closing rate of 1 ZWL to 0.83 ZAR. The closing rate used to translate the December 2018 results was 1 ZWL to 4.35 ZAR.

The Group applied a change in functional currency from the US dollar to the ZWL in respect of our businesses in Zimbabwe on 1 October 2018. This change was applied prospectively and an estimate of 1 ZWL to 4.35 ZAR was used as the exchange rate to translate the results, net assets and cash flows of the Group's businesses in Zimbabwe in the 2018 financial statements. The estimated exchange rate was based on an internal model. On 20 February 2019 the Reserve Bank of Zimbabwe (RBZ) announced that the ZWL would be recognised as an official currency and that an interbank foreign exchange market would be established to formalise trading in ZWL balances with other currencies. This exchange commenced trading on 22 February 2019.

The impact of applying the hyperinflationary provisions of IAS 21 in the current year was a decrease in the Group's profit after tax of R312 million reflecting the difference in applying the average versus the closing exchange rate.

Valuation of assets within Zimbabwe

In light of the economic conditions within Zimbabwe, the valuation of assets, in particular, unlisted valuations require significant judgement. The Group has exposure to property assets, unlisted and listed investments. Listed investments comprise equity shareholdings in companies listed on the Zimbabwe stock exchange and other international stock exchanges while our unlisted investment portfolio primarily comprises of private equity investments. The Zimbabwe property portfolio comprises of retail, office and industrial properties. All assets have applied valuation principles as outlined within IFRS.

Due to the subjective nature and complexity of the inputs used in the valuations, the Group has adjusted the valuation to account for uncertainty within these significant judgements.

Sensitivities

The table below illustrates the sensitivity of the condensed income statement and condensed statement of financial position to changes in the general price index:

Condensed income statement for the year ended 31 December 2019

Rm	As reported	+100% (CPI)	+250% (CPI)	+500% (CPI)
Total revenues	7,526	7,974	8,647	9,768
Total expenses	(6,794)	(7,055)	(7,615)	(8,547)
Profit before tax	732	919	1,032	1,221
Income tax expense	(243)	(250)	(262)	(281)
Profit after tax for the financial period	489	669	770	940
Attributable to				
Equity holders of the parent	442	602	693	846
Non-controlling interests	47	67	77	94

Condensed statement of financial position at 31 December 2019

Rm	As reported	+100% (CPI)	+250% (CPI)	+500% (CPI)
Total assets	11,952	12,152	12,313	12,582
Total liabilities	11,520	11,539	11,599	11,698
Net assets	432	613	714	884

The table below illustrates the sensitivity of key financial measures to changes in the exchange rates:

Rm	As reported	1 ZWL\$: 0.62 ZAR	1 ZWL\$: 0.42 ZAR	1 ZWL\$: 0.21 ZAR
Profit after tax attributable to equity holders of the parent	442	331	221	110
Equity attributable to the equity holders of the parent	392	295	197	98

(c) Fair value of property assets

The Group has exposure to property assets through its investments in investment property and owner occupied properties in South Africa, Rest of Africa and Eastern Europe. The valuation of the Group's property portfolio in East Africa and Zimbabwe, in particular, requires significant judgement due to the current economic conditions prevailing in these regions, especially around reversionary capitalisation rates and rental levels. Methodologies used to determine and assess the fair value of property assets include discounted cash flow and income capitalisation models. The fair value of each property asset is determined based on the most appropriate valuation applicable to the specific market and economy in which it is invested and the particulars of the property itself. All material property asset valuations in the Group are reviewed by the Group and independent external valuation experts on a regular basis. This could result in the Group concluding on a different valuation for the asset.

A4: Liquidity analysis of the consolidated statement of financial position

The Group's consolidated statement of financial position is in order of liquidity as is permitted by IAS 1 'Presentation of Financial Statements'. In order to satisfy the requirements of IAS 1, the following analysis is given to describe how the statement of financial position lines are categorised between current and non-current balances, applying the principles laid out in IAS 1.

Consolidated statement of financial position captions generally expected to be recovered no more than 12 months after the reporting date are classified as current and as non-current if the expected recovery or settlement date is more than 12 months after the reporting date. The analysis of consolidated statement of financial position captions into current and non-current are disclosed in the individual notes to which they relate.

B: Segment information

B1: Basis of segmentation

1.1 Segment presentation

The executive management team of Old Mutual Limited, with the support of the Board, was responsible for the assessment of performance and the allocation of resources of the continuing business operations during the period under review. The Group has identified the Chief Operating Decision Maker (CODM) to be the executive management team of Old Mutual Limited. The Group's operating segments have been identified based on the internal management reporting structure which is reflective of the nature of products and services as well as the target customer base. The managing directors of the operating segments form part of the executive team. Therefore, the chief operating decision maker, being the executive team of Old Mutual Limited, is structured in a way reflective of the internal reporting structure.

The Group manages its business through the following operational segments, which are supported by central shareholder activities and enabling functions.

- **Mass and Foundation Cluster:** A retail segment that operates in Life and Savings and Banking and Lending. It provides simple financial services products to customers in the low-income and lower-middle income markets. These products are divided into four categories being (i) risk, including funeral cover, (ii) savings, (iii) lending and (iv) transactional products.
- **Personal Finance:** A retail segment that operates primarily in Life and Savings. It provides holistic financial advice and long-term savings, investment, income and risk products and targets the middle-income market.
- **Wealth and Investments:** Operates across Life and Savings and Asset Management through four distinct businesses: (i) Wealth, a retail segment targeting high income and high net worth individuals, that provides vertically integrated advice, investment solutions and funds, and other financial solutions, (ii) Asset Management comprising eight investment boutiques that provide asset management services to retirement and benefit funds and to the retail market in partnership with Wealth, (iii) Alternatives, an unlisted alternatives investment business, and (iv) Specialised Finance, a proprietary risk and investment capability which manages and supports the origination of assets.
- **Old Mutual Corporate:** Operates in Life and Savings and primarily provides Group risk, investments, annuities and consulting services to employee-sponsored retirement and benefit funds.
- **Old Mutual Insure:** Provides Property and Casualty insurance products through three operational businesses: (i) Personal (ii) Commercial, and (iii) Corporate.
- **Rest of Africa:** Operates in Life and Savings, Property and Casualty (including health insurance), Banking and Lending (including micro-lending) and Asset Management. The segment operates in 12 countries across three regions: Southern Africa, East Africa and West Africa.
- **Other Group Activities:** Comprises the activities related to the management of the Group's capital structure. This includes the management of shareholder investment assets including the associated shareholder investment return and third-party borrowings including the associated finance costs. Also included are net assets and operations of Residual plc and investments in associated undertakings. Subsequent to the Nedbank unbundling, the Group retained a minority shareholding of 19.9%, managed as part of Other Group Activities.

1.2 Presentation and disclosure

Results from Operations measures the operational performance of the Group and together with items such as investment return, finance costs and income from associated undertakings, the Group's profit measure, AHE is derived. AHE by definition excludes discontinued operations and Residual plc, which do not form part of core continuing businesses of the Group, and certain of the discontinued operations are a function of the reorganisation and the application of predecessor accounting.

The Group is in the process of a fundamental multi-year transformation of its finance function, transitioning from a legal entity view to a segment approach to better reflect the statement of financial position economics and levers to drive value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

B: Segment information

B2: Segmental income statement

Year ended 31 December 2019 Rm	Mass and Foundation Cluster	Personal Finance	Wealth and Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Adjusted Headline Earnings	Consolidation of funds	Adjusting items and reclassifications ¹	Continuing Operations	Discontinued operations	Total IFRS
Revenue													
Gross insurance premium revenue	12,366	14,018	13	30,097	14,597	8,831	(61)	79,861	-	897	80,758	-	80,758
Outward reinsurance	(40)	(1,278)	-	(891)	(4,611)	(1,067)	36	(7,851)	-	(147)	(7,998)	-	(7,998)
Net earned premiums	12,326	12,740	13	29,206	9,986	7,764	(25)	72,010	-	750	72,760	-	72,760
Investment return (non-banking)	1,615	18,302	21,067	25,847	233	3,570	(2,476)	68,158	10,256	8,282	86,696	-	86,696
Banking interest and similar income	3,808	1	-	-	-	840	-	4,649	-	425	5,074	-	5,074
Banking trading, investment and similar income	-	-	-	-	-	63	-	63	-	124	187	-	187
Fee and commission income, and income from service activities	668	3,278	6,082	348	892	902	(2,073)	10,097	-	451	10,548	-	10,548
Other income	251	38	236	197	5	174	(469)	432	24	395	851	-	851
Total revenue and other income	18,668	34,359	27,398	55,598	11,116	13,313	(5,043)	155,409	10,280	10,427	176,116	-	176,116
Expenses													
Net claims and benefits (including change in insurance contract provisions)	(6,046)	(19,109)	(173)	(45,640)	(9,295)	(8,533)	127	(88,669)	-	(4,985)	(93,654)	-	(93,654)
Reinsurance recoveries	30	2,011	-	818	2,896	538	(71)	6,222	-	102	6,324	-	6,324
Net claims and benefits incurred	(6,016)	(17,098)	(173)	(44,822)	(6,399)	(7,995)	56	(82,447)	-	(4,883)	(87,330)	-	(87,330)
Change in investment contract liabilities	(5)	(7,821)	(17,331)	(3,906)	-	(365)	39	(29,389)	-	(367)	(29,756)	-	(29,756)
Credit impairment charges	(1,598)	(63)	5	9	-	(157)	(43)	(1,847)	-	(31)	(1,878)	-	(1,878)
Finance costs	-	-	-	-	-	-	-	-	-	(737)	(737)	-	(737)
Banking interest payable and similar expenses	(798)	-	-	-	-	(331)	-	(1,129)	-	(146)	(1,275)	-	(1,275)
Fee and commission expenses, and other acquisition costs	(2,827)	(2,869)	(2,668)	(453)	(2,486)	(804)	1,839	(10,268)	(267)	(178)	(10,713)	-	(10,713)
Change in third-party interest in consolidated funds	-	-	-	-	-	-	-	-	(8,603)	-	(8,603)	-	(8,603)
Other operating and administrative expenses	(3,885)	(4,218)	(4,327)	(4,741)	(1,998)	(3,075)	2,437	(19,807)	(1,410)	(2,190)	(23,407)	-	(23,407)
Policyholder tax	(12)	(560)	(1,457)	131	-	(90)	438	(1,550)	-	1,550	-	-	-
Total expenses	(15,141)	(32,629)	(25,951)	(53,782)	(10,883)	(12,817)	4,766	(146,437)	(10,280)	(6,982)	(163,699)	-	(163,699)
Share of gains of associated undertakings and joint ventures after tax	-	-	-	-	-	-	-	-	-	2,269	2,269	-	2,269
Impairment of investments in associated undertakings	-	-	-	-	-	-	-	-	-	(869)	(869)	-	(869)
Loss on disposal of subsidiaries and associated undertakings	-	-	-	-	-	-	-	-	-	(21)	(21)	-	(21)
Results from Operations	3,527	1,730	1,447	1,816	233	496	(277)	8,972	-	4,824	13,796	-	13,796
Shareholder investment return	-	-	-	-	188	41	1,873	2,102	-	(2,102)	-	-	-
Finance costs	-	-	-	-	(46)	(98)	(593)	(737)	-	737	-	-	-
Income from associated undertakings	-	-	-	-	-	-	2,528	2,528	-	(2,528)	-	-	-
Adjusted Headline Earnings before tax and non-controlling interests	3,527	1,730	1,447	1,816	375	439	3,531	12,865	-	931	13,796	-	13,796
Shareholder tax	(984)	(479)	(249)	(516)	(99)	75	(622)	(2,874)	-	(1,371)	(4,245)	-	(4,245)
Non-controlling interests	(95)	2	(13)	-	(26)	(3)	-	(135)	-	(134)	(269)	-	(269)
Adjusted Headline Earnings	2,448	1,253	1,185	1,300	250	511	2,909	9,856	-	(574)	9,282	-	9,282
Investment return adjustment for Group equity and debt instruments held in policyholder funds	22	44	21	214	-	(106)	279	474	-	(474)	-	-	-
Impact of restructuring	(61)	-	(523)	-	-	4	-	(580)	-	580	-	-	-
Profit from discontinued operations after tax	-	-	-	-	-	-	74	74	-	(74)	-	104	104
Operations in hyperinflationary economies	-	-	-	-	-	441	-	441	-	(441)	-	-	-
Non-core operations	-	-	-	-	-	-	376	376	-	(376)	-	-	-
Headline Earnings	2,409	1,297	683	1,514	250	850	3,638	10,641	-	(1,359)	9,282	104	9,386
Adjustments													
Impairment of goodwill and other intangible assets and property, plant and equipment	(8)	(15)	(42)	(75)	-	-	(255)	(395)	-	395	-	-	-
Impairment of associated undertakings	17	33	16	164	-	-	(1,099)	(869)	-	869	-	-	-
Profit on disposal of subsidiaries and associated undertakings	-	-	-	-	-	-	9	9	-	(9)	-	-	-
Profit after tax for the financial year attributable to equity holders of the parent	2,418	1,315	657	1,603	250	850	2,293	9,386	-	(104)	9,282	104	9,386
Profit after tax for the financial year attributable to non-controlling interests	101	12	19	61	26	50	-	269	-	-	269	-	269
Profit after tax for the financial year	2,519	1,327	676	1,664	276	900	2,293	9,655	-	(104)	9,551	104	9,655

¹ Comprises adjustments to move from AHE to IFRS profit, and related line item reclassification to ensure the total IFRS reconciles to the face of the income statement

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

B: Segment information

B2: Segmental income statement (Re-presented)¹

Year ended 31 December 2018 Rm	Mass and Foundation Cluster	Personal Finance	Wealth and Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa (Re- presented) ¹	Other Group Activities	Adjusted Headline Earnings (Re- presented) ¹	Consolidation of funds	Adjusting items and reclassifications (Re- presented) ¹	Continuing Operations	Discontinued operations	Total IFRS
Revenue													
Gross insurance premium revenue	11,668	12,555	38	31,081	13,014	8,549	(407)	76,498	-	2,231	78,729	-	78,729
Outward reinsurance	(40)	(1,192)	-	(467)	(3,966)	(920)	-	(6,585)	-	(98)	(6,683)	-	(6,683)
Net earned premiums	11,628	11,363	38	30,614	9,048	7,629	(407)	69,913	-	2,133	72,046	-	72,046
Investment return (non-banking)	152	2,066	(2,036)	2,024	220	(801)	(1,305)	320	10,097	10,094	20,511	-	20,511
Banking interest and similar income	2,785	-	-	-	-	610	-	3,395	-	1,137	4,532	-	4,532
Banking trading, investment and similar income	17	-	-	-	-	64	-	81	-	9	90	-	90
Fee and commission income, and income from service activities	463	3,537	5,779	355	870	738	(1,604)	10,138	11	882	11,031	-	11,031
Other income	64	180	335	195	1	90	283	1,148	-	519	1,667	-	1,667
Total revenue and other income	15,109	17,146	4,116	33,188	10,139	8,330	(3,033)	84,995	10,108	14,774	109,877	-	109,877
Expenses													
Net claims and benefits (including change in insurance contract provisions)	(4,751)	(10,020)	109	(29,739)	(8,814)	(4,734)	1,134	(56,815)	-	(8,673)	(65,488)	-	(65,488)
Reinsurance recoveries	28	1,109	-	603	3,319	485	-	5,544	-	63	5,607	-	5,607
Net claims and benefits incurred	(4,723)	(8,911)	109	(29,136)	(5,495)	(4,249)	1,134	(51,271)	-	(8,610)	(59,881)	-	(59,881)
Change in investment contract liabilities	(5)	972	3,858	1,584	-	366	13	6,788	-	(933)	5,855	-	5,855
Credit impairment charges	(809)	(4)	(6)	(19)	-	(80)	(3)	(921)	-	(139)	(1,060)	-	(1,060)
Finance costs	-	-	-	-	-	-	-	-	-	(1,338)	(1,338)	-	(1,338)
Banking interest payable and similar expenses	(476)	-	-	-	-	(277)	-	(753)	-	(252)	(1,005)	-	(1,005)
Fee and commission expenses, and other acquisition costs	(2,514)	(2,981)	(1,982)	(370)	(2,265)	(776)	1,519	(9,369)	(61)	(343)	(9,773)	-	(9,773)
Change in third-party interest in consolidated funds	-	-	-	-	-	-	-	-	(8,928)	-	(8,928)	-	(8,928)
Other operating and administrative expenses	(3,450)	(4,146)	(4,444)	(3,413)	(1,709)	(2,777)	67	(19,872)	(1,119)	(4,854)	(25,845)	-	(25,845)
Policyholder tax	(3)	(55)	(40)	(131)	-	(107)	(122)	(458)	-	458	-	-	-
Total expenses	(11,980)	(15,125)	(2,505)	(31,485)	(9,469)	(7,900)	2,608	(75,856)	(10,108)	(16,011)	(101,975)	-	(101,975)
Share of gains/(losses) of associated undertakings and joint ventures	-	-	-	-	-	-	-	-	-	550	550	-	550
Loss on disposal of subsidiaries, associated undertakings and strategic investments	-	-	-	-	-	-	-	-	-	(2)	(2)	-	(2)
Results from Operations	3,129	2,021	1,611	1,703	670	430	(425)	9,139	-	(689)	8,450	-	8,450
Shareholder investment return	-	-	-	-	185	113	890	1,188	-	(1,188)	-	-	-
Finance costs	-	-	-	-	(46)	-	(555)	(601)	-	601	-	-	-
Income from associated undertakings	-	-	-	-	-	-	2,593	2,593	-	(2,593)	-	-	-
Adjusted Headline Earnings before tax and non-controlling interests	3,129	2,021	1,611	1,703	809	543	2,503	12,319	-	(3,869)	8,450	-	8,450
Shareholder tax	(945)	(547)	(358)	(470)	(208)	(254)	96	(2,686)	-	(767)	(3,453)	-	(3,453)
Non-controlling interests	(150)	1	(1)	-	(34)	(53)	-	(237)	-	115	(122)	-	(122)
Adjusted Headline Earnings	2,034	1,475	1,252	1,233	567	236	2,599	9,396	-	(4,521)	4,875	-	4,875
Investment return adjustment for Group equity and debt instruments held in policy holder funds	18	43	18	173	-	-	(471)	(219)	-	219	-	-	-
Impact of restructuring	(36)	(58)	(54)	(26)	(70)	(66)	(390)	(700)	-	700	-	-	-
Profit from discontinued operations after tax	-	-	-	-	-	-	8,129	8,129	-	(8,129)	-	8,516	8,516
Share of gains of associated undertakings after tax (Nedbank)	-	-	-	-	-	-	(2,132)	(2,132)	-	2,132	-	-	-
Operations in hyperinflationary economies	-	-	-	-	-	2,116	-	2,116	-	(2,116)	-	-	-
Non-core operations	-	-	-	-	-	-	(2,349)	(2,349)	-	2,349	-	-	-
Headline Earnings	2,016	1,460	1,216	1,380	497	2,286	5,386	14,241	-	(9,366)	4,875	8,516	13,391
Adjustments													
Impairment of goodwill and other intangible assets and property, plant and equipment	-	-	(45)	-	(4)	(554)	(24)	(627)	-	627	-	-	-
Impairment of associated undertakings	-	-	-	-	-	-	(265)	(265)	-	265	-	-	-
Profit on disposal of fixed assets	1	2	1	9	1	2	35	51	-	(51)	-	-	-
Profit on disposal of subsidiaries, associated undertakings and strategic investments	-	-	-	-	-	-	23,166	23,166	-	(23,166)	-	23,175	23,175
Profit after tax for the financial year attributable to equity holders of the parent	2,017	1,462	1,172	1,389	494	1,734	28,298	36,566	-	(31,691)	4,875	31,691	36,566

¹ The Rest of Africa Segment, Results from Operations and Adjusted Headline Earnings for the year ended 31 December 2018 have been re-presented to remove Zimbabwe. Refer to note A1.6(e) for more information.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

B: Segment information

B3: Segmental statement of financial position

At 31 December 2019 Rm	Mass and Foundation Cluster	Personal Finance	Wealth and Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Consolidation of funds	Continuing Operations	Assets held for sale	Total IFRS
Total assets	33,807	199,493	202,529	277,085	14,106	63,418	36,106	83,584	910,128	774	910,902
Policyholder liabilities	(11,969)	(168,642)	(190,310)	(246,184)	–	(37,908)	1,303	–	(653,710)	–	(653,710)
Life insurance contracts liabilities	80	(74,643)	(4)	(60,083)	–	(7,596)	1,090	–	(141,156)	–	(141,156)
Investment contract liabilities with discretionary participating features	(11,969)	(13,299)	(2,530)	(147,869)	–	(22,816)	–	–	(198,483)	–	(198,483)
Investment contract liabilities	(80)	(80,700)	(187,776)	(38,232)	–	(7,496)	213	–	(314,071)	–	(314,071)
Property and Casualty insurance liabilities	–	–	–	–	(6,341)	(2,519)	–	–	(8,860)	–	(8,860)
Other liabilities	(17,563)	(28,715)	(6,679)	(30,699)	(4,193)	(12,455)	14,707	(84,810)	(170,407)	–	(170,407)
Total liabilities	(29,532)	(197,357)	(196,989)	(276,883)	(10,534)	(52,882)	16,010	(84,810)	(832,977)	–	(832,977)
Net assets	4,275	2,136	5,540	202	3,572	10,536	52,116	(1,226)	77,151	774	77,925

At 31 December 2018 Rm	Mass and Foundation Cluster	Personal Finance	Wealth and Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Consolidation of funds	Continuing Operations	Assets held for sale	Total IFRS
Total assets	32,669	198,155	200,623	269,910	14,728	70,179	4,257	81,147	871,668	12,787	884,455
Policyholder liabilities	(11,638)	(165,009)	(182,789)	(234,654)	–	(39,722)	13,757	–	(620,055)	–	(620,055)
Life insurance contracts liabilities	(910)	(73,861)	(3)	(62,530)	–	(8,109)	1,487	–	(143,926)	–	(143,926)
Investment contract liabilities with discretionary participating features	(10,648)	(12,796)	(2,563)	(138,651)	–	(23,697)	–	–	(188,355)	–	(188,355)
Investment contract liabilities	(80)	(78,352)	(180,223)	(33,473)	–	(7,916)	12,270	–	(287,774)	–	(287,774)
Property and Casualty insurance liabilities	–	–	–	–	(6,477)	(2,622)	–	–	(9,099)	–	(9,099)
Other liabilities	(16,266)	(30,332)	(11,561)	(33,971)	(4,058)	(15,153)	29,154	(82,978)	(165,165)	(8,716)	(173,881)
Total liabilities	(27,904)	(195,341)	(194,350)	(268,625)	(10,535)	(57,497)	42,911	(82,978)	(794,319)	(8,716)	(803,035)
Net assets	4,765	2,814	6,273	1,285	4,193	12,682	47,168	(1,831)	77,349	4,071	81,420

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For the year ended 31 December 2019

C: Other key performance information

C1: Earnings and earnings per share

Cents	Source of guidance	Notes	2019	2018
Basic earnings per share	IFRS	C1(a)	208.3	788.1
Diluted earnings per share	IFRS	C1(b)	205.2	778.1
Headline earnings per share	JSE Listing Requirements SAICA Circular 1/2019	C1(c)	236.1	306.9
Diluted headline earnings per share	JSE Listing Requirements SAICA Circular 1/2019	C1(c)	232.6	301.7

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the year excluding own shares held in policyholder funds, Employee Share Ownership Plan Trusts (ESOP) and Black Economic Empowerment trusts. These shares are regarded as treasury shares.

Rm	Notes	2019	2018
Profit for the financial year attributable to equity holders of the parent from continuing operations		9,282	4,875
Profit for the financial year attributable to equity holders of the parent from discontinued operations	K1	104	31,691
Profit attributable to ordinary equity holders of the parent		9,386	36,566

The following table summarises the calculation of the weighted average number of ordinary shares for the purposes of calculating basic earnings per share:

	2019	2018
Weighted average number of ordinary shares in issue (millions)	4,828	4,938
Shares held in charitable foundations and trusts (millions)	(19)	(19)
Shares held in ESOP and similar trusts (millions)	(100)	(104)
Adjusted weighted average number of ordinary shares (millions)	4,709	4,815
Shares held in policyholder and consolidated investment funds (millions)	(192)	(173)
Shares held in Black Economic Empowerment trusts (millions)	(10)	(2)
Weighted average number of ordinary shares used to calculate basic earnings per share (millions)	4,507	4,640
Basic earnings per ordinary share (cents)	208.3	788.1

(b) Diluted earnings per share

Diluted earnings per share recognises the dilutive impact of shares and options held in ESOP and similar trusts and Black Economic Empowerment trusts, to the extent they have value, in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full year.

The following table reconciles the profit attributable to ordinary equity holders to diluted profit attributable to ordinary equity holders and summarises the calculation of weighted average number of shares for the purpose of calculating diluted basic earnings per share:

	Notes	2019	2018
Profit attributable to ordinary equity holders (Rm)		9,386	36,566
Dilution effect on profit relating to share options issued by subsidiaries (Rm)		-	(98)
Diluted profit attributable to ordinary equity holders (Rm)		9,386	36,468
Weighted average number of ordinary shares (millions)	C1(a)	4,507	4,640
Adjustments for share options held by ESOP and similar trusts (millions)		58	45
Adjustments for shares held in Black Economic Empowerment trusts (millions)		10	2
Weighted average number of ordinary shares used to calculate diluted earnings per share (millions)		4,575	4,687
Diluted earnings per ordinary share (cents)		205.2	778.1

(c) Headline earnings per share

The Group is required to calculate headline earnings per share (HEPS) in accordance with the Johannesburg Stock Exchange (JSE) Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 01/2019 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a JSE required measure of earnings in South Africa. The following table reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

Rm	Notes	2019		2018	
		Gross	Net of tax and non-controlling interests	Gross	Net of tax and non-controlling interests
Profit attributable to ordinary equity holders			9,386		36,566
Adjustments:					
Impairments of intangible assets and property, plant and equipment		472	395	1,196	892
Impairment of investment in associated undertakings		869	869	-	-
Profit on disposal of property and equipment		-	-	(103)	(51)
Profit on disposal of subsidiaries, associated undertakings and joint ventures		(307)	(9)	(23,173)	(23,166)
Total adjustments		1,034	1,255	(22,080)	(22,325)
Headline Earnings			10,641		14,241
Dilution effect on earnings relating to share options issued by subsidiaries			-		(98)
Diluted Headline Earnings (Rm)			10,641		14,143
Weighted average number of ordinary shares (millions)	C1(a)		4,507		4,640
Diluted weighted average number of ordinary shares (millions)	C1(b)		4,575		4,687
Headline Earnings per share (cents)			236.1		306.9
Diluted Headline Earnings per share (cents)			232.6		301.7

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For the year ended 31 December 2019

C: Other key performance information

C2: Net asset value per share and tangible net asset value per share

Net asset value per share is calculated as total assets minus total liabilities divided by the total number of ordinary shares in issue at year end.

Net tangible asset value per share is calculated as total assets minus goodwill and other intangible assets minus total liabilities divided by the total number of shares in issue at year end.

Rand	2019	2018
Net asset value per share	16.5	16.5
Net tangible asset value per share	15.2	15.3

C3: Return on Net Asset Value (RoNAV)

The following table outlines the calculation of RoNAV, using AHE disclosed on page 19. The basis of preparation of RoNAV is described in note A1.6.

Rbn or %	2019	2018 (Restated) ¹
Total RoNAV (%)	15.2%	16.2%
Average Adjusted IFRS Equity (Rbn)	65.0	58.2
Closing Adjusted IFRS Equity (Rbn)	67.5	62.3

Reconciliation of equity attributable to the holders of the parent to closing adjusted IFRS equity

Rbn	2019	2018 (Restated) ¹
Equity attributable to the holders of the parent	74.8	78.0
Equity in respect of discontinued operations	–	(4.1)
Equity in respect of associated undertakings	(24.3)	(24.8)
Equity in respect of operations in hyperinflationary economies	(0.4)	(2.3)
Equity in respect of non-core operations	(3.0)	(4.9)
Consolidation adjustments	1.2	1.8
Equity attributable to operating segments	48.3	43.7
Equity attributable to the Group's stake in Nedbank ²	19.2	18.6
Closing Adjusted IFRS equity	67.5	62.3

¹ Due to the lack of ability to access capital by way of Dividends, our business in Zimbabwe is managed on a ring fenced basis. It has been excluded from the Group's key performance indicators for the current period and comparatives have been re-presented to reflect this.

² Calculated as equity in associated undertakings less the defined fair value adjustment. The fair value adjustment is calculated as the difference between the carrying value and the net asset value on the date of unbundling of R18.2 billion.

C4: Dividends

Year ended 31 December	Ordinary dividend payment date	2019	2018
Rm			
2017 Second interim dividend paid 3.57p (66.50c) per 11 3/7p share	30 April 2018	–	3,113
2018 Interim dividend and special dividend paid – 45.00c and 100c per share respectively		–	6,852
2018 Final dividend paid – 72.00c per share	29 April 2019	3,334	–
2019 Interim dividend paid – 45.00c per share	31 October 2019	2,049	–
Dividend payments to ordinary equity holders for the year		5,383	9,965

The total dividend paid to ordinary equity holders is calculated using the number of shares in issue at the record date less own shares held in ESOP trusts, life funds of Group entities, Black Economic Empowerment trusts and related undertakings.

As a consequence of the exchange control arrangements in place in certain African territories, dividends to ordinary equity holders on the branch registers of those countries (or, in the case of Namibia, the Namibian section of the principal register) are settled through Dividend Access Trusts established for that purpose.

A final dividend of 75 cents (or its equivalent in other applicable currencies) per ordinary share in the Company has been declared by the directors and will be paid on 4 May 2020 to shareholders on all registers.

D: Other consolidated income statement notes

Accounting policies

The Group provides financial services, such as insurance, asset management and banking & lending services to our customers. Fees and commission from asset management and banking & lending services are accounted for as revenue from contracts with customers, while revenue from insurance contracts are accounted for in accordance with the accounting policies for gross insurance premium revenue (G2). Investment returns (fair value gains or losses, interest income and dividend income) earned on behalf of shareholders and customers are recognised in accordance with the accounting policies for financial instruments (note E).

Basic revenue recognition principle

The Group recognises revenue from contracts with customers based on the amount expected to be received from customers when the performance obligations agreed to by the Group have been satisfied. Performance obligations are satisfied through the transfer of the promised services to the customer. The Group transfers the promised service over time or at a point in time depending on the nature of the promised services. In the majority of instances, the performance obligations are satisfied as the Group renders the agreed financial services to our customers over time.

Banking and lending

The Group provides banking and lending services to retail and corporate customers. These services include, but are not limited to account management, transaction support, provision of overdraft facilities and issuing of loans. Revenue from account management and provision of overdraft facilities are recognised over time as the Group renders these services. Revenue derived from specific transactions are recognised when the transaction takes place. Loan origination fees are included in the yield on the loan provided and are recognised as part of interest income through the effective interest method.

Fee and commission income on lending activities relates primarily to administration fees. These fees are recognised as revenue over time as the Group administers the loan accounts for our clients. In the lending business the administration fee income is realised through loan instalment collection process.

The Group also earns fee and commission income from transactions performed by our clients. The fee and commission income is recognised on the date of the transaction. The fee and commission income from particular transactions are realised through a reduction in the amount due to depositors.

The amount of the fee is agreed to with our clients.

Asset management

Revenue from asset management consists of asset management fees, performance fees and administration fees. Fees are recognised as revenue over time as the Group provides the services. When the Group receives up-front payments for services to be rendered in the future, the payments are accounted for as contract liabilities (deferred revenue liabilities).

If the amount of the fee can be reliably estimated, the Group recognises revenue over time as the services are rendered. If the fee cannot be reliably estimated, the recognition of fees based variables are delayed until significant uncertainty regarding the Group's entitlement to the fee and the measurement of the fee have been resolved.

Fee and commission income is earned through providing asset management and related investment administration services to our clients.

Fee and commission income is primarily based on funds-under-management, investment commitment values or amounts drawn from investors. Fee and commission income is generally recognised over time, on a monthly basis, as the services are rendered. Fee and commission income earned from collective investment schemes is recognised over time, on a daily basis, as the services are rendered.

Fee and commission income is generally realised during the first work week of the month succeeding the period of service. In some instances, fee and commission income is realised between 30 and 45 days in arrears or as agreed with our clients. Fee and commission income is realised through a reduction from our client's investment portfolio's or through a separate invoice and collection process.

In some instances, an initial fee is charged to our clients when entering into an investment agreement with the Group. The initial fee is collected as a reduction from the initial amount invested with the Group or through a separate payment made by the client. Initial fees, which exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over periods between five and 10 years as the services are rendered.

The Group earns transaction fees from assisting clients with specific transactions on their portfolios. These fees are recognised when the transaction has been completed and are realised through a reduction in the client portfolio.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

D: Other consolidated income statement notes

The Group earns a performance fee if certain performance thresholds and other criteria are met. The performance fee is deducted from the portfolio or is invoiced separately as per the terms of the contract.

The rate that the fee and commission income is charged at is agreed with our clients in investment mandates.

Contract assets and contract liabilities

A contract asset exists if the Group has recognised revenue, but the amount expected to be received is not yet due from the customer. Contract assets are measured at the amount of revenue recognised.

A contract liability (deferred revenue liability) exists if the Group has received or is entitled to consideration in advance of the Group satisfying the performance obligation. The contract liability represents the obligation to provide the agreed services to the customer. The contract liability is recognised as revenue as the Group satisfies the related performance obligation to the customer.

Costs incurred in acquiring investment management service contracts

Incremental costs that are directly attributable to securing an investment management service contract are recognised as assets if the costs can be identified separately, measured reliably and it is probable that the costs will be recovered. Deferred acquisition costs represent the contractual right to benefit from providing investment management services and are amortised as the related revenue is recognised.

D1: Income tax expense

This note analyses separately the income tax expense recognised in profit or loss for the year from continuing operations, and the various factors that have contributed to the composition of the charge for continuing operations.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and includes any adjustment to income tax payable in respect of previous years.

Deferred tax

Deferred taxation is provided using the temporary difference method. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date in the specific jurisdiction. Deferred taxation is charged to profit or loss except to the extent that it relates to a transaction that is recognised directly in other comprehensive income or equity, or a business combination that is an acquisition. The effect on deferred taxation of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to other comprehensive income or equity. A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available, against which the unutilised tax losses and deductible temporary differences can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

In certain circumstances, as permitted by accounting guidance, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit. Note H7 includes further detail of circumstances in which the Group does not recognise temporary differences.

Significant accounting estimate and judgements – uncertain tax positions

The Group in the ordinary course of business enters into transactions that expose the Group to tax, legal and business risks. Judgement is involved in determining whether there are uncertain tax positions. The Revenue authorities in various jurisdictions in which the Group operates routinely review historic transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which they operate. All interpretations made by management are made with reference to the specific facts and circumstances of the transaction and the relevant legislation. There are occasions where the Group's interpretation of tax law may be challenged by the Revenue authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Board is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources required to fund such potential settlements are sufficient. Due to the level of estimation required in determining tax provisions amounts eventually payable may differ from the provision recognised.

IFRIC 23 Uncertainty over Income Tax Treatments

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

It requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

In assessing the impact of an uncertain tax position, the assumption was that a taxation authority will examine amounts, that it has a right to examine and will have full knowledge of all related information when making those examinations. Where applicable, the impact of IFRIC 23 on the respective legal entities in the Group have been considered and adequate amounts provided.

(a) Analysis of total income tax expense

The total income tax expense for the year comprises:

Rm	2019	2018
Current tax		
South Africa	3,608	3,767
Overseas tax		
United Kingdom	–	(17)
Rest of Africa	342	261
Rest of the world	12	20
Withholding taxes	285	263
Adjustments to current tax in respect of prior years	(116)	(158)
Total current tax	4,131	4,136
Deferred tax		
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	190	(810)
Recognition of previously unrecognised deferred tax assets	5	23
Adjustments to deferred tax in respect of prior years	(81)	104
Total deferred tax	114	(683)
Total income tax expense	4,245	3,453
Attributable to		
Shareholder funds	2,546	2,947
Policyholder funds	1,699	506
Total income tax expense	4,245	3,453

(b) Reconciliation of total income tax expense

The income tax expense charged to profit or loss differs from the income tax expense that would apply if all of the Group's profits from continuing operations from the different tax jurisdictions had been taxed at the South African standard corporation tax rate. The difference in the effective rate of the continuing operations is explained below:

Rm	2019	2018
Profit before tax	13 796	8,450
Tax at South African standard rate of 28.0% (2018: 28.0%)	3 863	2,366
Different tax rate or basis on foreign operations	66	82
Untaxed and low taxed income ¹	(1 785)	(1,808)
Disallowable expenses ²	954	1,897
Adjustments to current tax in respect of prior years	(116)	(158)
Net movement on deferred tax assets not recognised	124	487
Adjustments to deferred tax in respect of prior years	(81)	104
Withholding taxes	50	55
Income tax attributable to policyholder returns	1 161	354
Other	9	74
	4,245	3,453

¹ Includes exempt income, capital gains taxed at lower than the corporate tax rate and non-taxable fair value movements.

² Disallowable expenses include impairments, provisions and non-deductible expenses.

(c) Income tax relating to components of other comprehensive income

The total income tax expense relating to items recognised in other comprehensive income for the year comprises of the following:

Rm	2019	2018
Measurement gains on defined benefit plans	31	(54)
Property revaluation reserve	36	(61)
Income tax on items that will not be reclassified subsequently to profit or loss	67	(115)
Income tax expense relating to components of other comprehensive income	67	(115)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

D: Other consolidated income statement notes

D8: Other operating and administrative expenses

(a)(i) Other operating and administrative expenses include:

Rm	Notes	2019	2018 (Re-presented) ¹
Staff costs	D8(b)	9,739	11,491
Depreciation		1,025	567
Computer, software and processing costs ¹		1,398	1,425
Amortisation of present value of acquired in-force business and other intangible assets		243	215
Impairment of goodwill and other intangible assets		331	918
Operating lease rentals - banking		-	12
Operating lease rentals - non-banking (short term and low value leases)		139	520
Auditors' remuneration - fees for audit service		182	149
Auditors' remuneration - fees for non-audit service		14	69
Other		10,336	10,479
		23,407	25,845

¹ The year ended 31 December 2018 has been re-presented to allocate information technology costs of R1,103 million, previously reported in other, to computer, software and processing costs to better reflect the nature of these expenses.

(a)(ii) Analysis of managed other operating and administrative expense base (unaudited)

The table below provides a reconciliation between the operating and administrative expenses per the consolidated income statement and the underlying operating expense base on which cost efficiency leadership target is measured:

Rm	Notes	2019	2018
Total other operating and administrative expenses	D8(a)(i)	23,407	25,845
Perimeter adjustments			
Residual plc and Old Mutual Bermuda		10	(2,459)
Consolidation of funds		(1,411)	(1,119)
Elimination of transactions with discontinued operations		(6)	176
Operations in hyperinflationary economies		(828)	-
Expenses excluded from cost base			
Amortisation of acquired intangible assets		(66)	(41)
Impairment of goodwill and other intangible assets		(331)	(1,154)
Restructuring costs including one-off business standalone costs		(652)	(663)
Operational finance costs		(937)	(1,269)
Investment management expenses		(729)	(1,949)
Arrangements that are presented on a gross basis in IFRS ¹		(522)	-
Underlying operating and administrative expense base		17,935	17,367

¹ The adjustment reflects the reallocation of associated income of arrangements that are presented on a gross basis in IFRS and on a net basis in the underlying operating and administrative expense base.

(b) Staff costs

Rm	Notes	2019	2018
Wages and salaries		7,188	7,177
Social security costs		43	88
Retirement obligations			
Defined contribution plans		147	139
Defined benefit plans	J1(d)	4	32
Other retirement benefits	J1(d)	145	142
Bonus and incentive remuneration		1,093	2,279
Share-based payments			
Cash settled	J2(d)	7	45
Equity settled	J2(d)	500	808
Other		612	781
		9,739	11,491

D9: Revenue from contracts with customers

Revenue from contracts with customers are disaggregated by primary segment and type of revenue. The Group believes it best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

The Group does not apply significant judgements to determine the costs incurred to obtain or fulfil contracts with customers, and no amortisation is required, as income directly matches costs with management charges being applied on an ongoing (or pro-rata) basis.

Year ended 31 December 2019 Rm	Mass and Founda- tion Cluster	Personal Finance	Wealth and Invest- ments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Consoli- dation of funds	Total
Revenue from contracts with customers									
Fee and commission income	667	3,269	5,969	345	890	1,020	(2,013)	-	10,147
Transaction and performance fees	2	1	100	3	-	338	(62)	-	382
Change in deferred revenue	-	8	13	-	2	(4)	-	-	19
Fee and commission income, and income from service activities	669	3,278	6,082	348	892	1,354	(2,075)	-	10,548
Non-IFRS 15 revenue									
Banking	3,808	-	-	-	-	1,453	-	-	5,261
Insurance	12,326	12,740	13	29,206	9,986	8,514	(25)	-	72,760
Investment return and other	1,907	18,425	21,338	26,457	410	9,531	(801)	10,280	87,547
Total revenue from other activities	18,041	31,165	21,351	55,663	10,396	19,498	(826)	10,280	165,568
Total revenue	18,710	34,443	27,433	56,011	11,288	20,852	(2,901)	10,280	176,116

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

D: Other consolidated income statement notes

Year ended 31 December 2018 (Re-presented) ¹ Rm	Mass and Founda- tion Cluster	Personal Finance	Wealth and Invest- ments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Consoli- dation of funds	Total
Revenue from contracts with customers									
Fee and commission income	462	3,529	5,665	346	928	1,118	(1,608)	11	10,451
Transaction and performance fees	1	2	137	9	–	518	(9)	–	658
Change in deferred revenue	–	6	(23)	–	(57)	(4)	–	–	(78)
Fee and commission income, and income from service activities	463	3,537	5,779	355	871	1,632	(1,617)	11	11,031
Non-IFRS 15 revenue									
Banking	2,802	–	–	–	–	1,820	–	–	4,622
Insurance	11,628	11,363	38	30,614	9,048	9,762	(407)	–	72,046
Investment return and other	776	2,238	(1,739)	2,190	406	9,209	(999)	10,097	22,178
Total revenue from other activities	15,206	13,601	(1,701)	32,804	9,454	20,791	(1,406)	10,097	98,846
Total revenue	15,669	17,138	4,078	33,159	10,325	22,423	(3,023)	10,108	109,877

¹ The year ended 31 December 2018 has been re-presented to align with 2019 reporting that better reflects management's view of disaggregation of revenue.

E: Financial assets and liabilities

Accounting policy

Classification and measurement of financial assets and financial liabilities

Initial recognition of financial assets

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair Value through Other Comprehensive Income (FVOCI) which may include debt or equity instruments; or
- Fair Value through Profit or Loss (FVTPL).

The classification of financial assets under IFRS 9 is based on whether the financial assets are equity instruments, debt instruments held or derivative assets. The classification and measurement of debt instruments is dependent on the business model in which the financial asset is managed and its contractual cash flow characteristics.

The business model refers to how the Group is managing its financial instruments to generate cash flows. Business model assessments are performed on shareholder and policyholder portfolios and consider investment mandates, how the portfolios are being managed to generate cash flows and performance indicators. The Group first assesses the business model before considering whether an instrument meets the definition of the contractual cash flow test. Only if the financial instruments are held in a business model to collect contractual cash flows or a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the cash flows characteristics test is performed.

Equity instruments held for trading and derivative assets are mandatorily categorised as financial assets at FVTPL. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not accounted for separately. Instead, the hybrid financial instrument as a whole is assessed for classification.

A debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as at FVTPL):

- it is held within a business model where the objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held in a 'hold to collect contractual cash flows business model' are managed to realise cash flows by collecting contractual payments over the life of the instrument.

A debt instrument is measured at FVOCI if it meets both of the following conditions (and is not designated as at FVTPL):

- it is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held in this type of business model are managed to realise cash flows by both collecting contractual cash flows and selling the financial instrument. Both these activities are fundamental to achieving the objective of the business model.

On initial recognition of an equity instrument that is not held for trading, the instrument may be irrevocably designated at FVOCI. In such an instance changes in the equity instrument's fair value are recorded in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All debt instrument financial assets that were not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a debt instrument financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transaction costs that are directly attributable to the acquisition of financial assets are expensed in profit or loss for financial assets initially classified at FVTPL. For financial assets not classified at FVTPL, transaction costs are added to or deducted from the fair value at initial recognition.

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For the year ended 31 December 2019

E: Financial assets and liabilities

Subsequent measurement of financial assets

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Initial recognition of financial liabilities

Financial liabilities not measured at FVTPL on initial recognition are measured at fair value less transaction costs that are incremental and directly attributable to the issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

Subsequent measurement of financial liabilities

Fair value movements attributable to changes in the credit risk of a financial liability designated at FVTPL is recorded in other comprehensive income and not recycled to profit or loss. On derecognition of the financial liability, the amount included in other comprehensive income is reclassified to retained earnings.

Financial liabilities at amortised cost	These liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign currency exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial liabilities at fair value through profit or loss	These liabilities are subsequently measured at fair value. Net fair value gains and losses, including any interest expense are recognised in profit or loss.
Financial guarantee contracts	Financial guarantee contracts are subsequently measured at the higher of the expected credit loss allowance and the amount initially recognised, less cumulative income recognised to date.

Expected credit losses

The expected credit loss (ECL) model applies to financial assets measured at amortised cost (for example mandatory reserve deposits with central banks, loans and advances, trade and other receivables, cash and cash equivalents and debt securities held by the Group) and debt investments measured at FVOCI.

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions.

The Group has elected to apply the IFRS 9 simplified approach in measuring expected credit losses for all trade receivables, contract assets and lease receivables. In terms of the simplified approach the ECL provision is calculated using lifetime expected credit losses. The Group made use of the provision matrix to calculate the lifetime expected loss allowance.

The Group elected to make use of the low credit risk exemption and consequently financial assets that are deemed of low credit risk are automatically allocated to stage 1 of the expected credit loss model. The consequence of this simplification is that entities are not required to assess whether a significant increase in credit risk since origination took place on these assets. At every reporting date the Group assesses whether the low credit risk exemption can still be applied to the relevant financial instruments. A financial instrument is considered to qualify for the low credit risk exemption if it has a credit rating equivalent to 'investment grade' quality assets.

ECLs are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For presentation on the statement of financial position, the ECL allowances are deducted from the gross carrying amount of the assets as disclosed. ECLs are presented separately in the consolidated income statement.

The analysis of financial assets and liabilities of the Group's continuing businesses into their categories as defined in IFRS 9 is set out in the tables below. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category.

For further information on the application of the ECL model on loans and advances refer to note F1.9(g).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

E: Financial assets and liabilities

E1: Categories of financial instruments

The analysis of financial assets and liabilities into their categories as defined in IFRS 9 is set out in the tables below. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category.

Information about the methods and assumptions used in determining fair value is included in note E2.

At 31 December 2019 Rm	Total	Fair value through profit or loss	Amortised cost	Non-financial assets and liabilities
Assets				
Mandatory reserve deposits with central banks	141	–	141	–
Investments in associated undertakings and joint ventures	26,251	–	–	26,251
Reinsurers' share of policyholder liabilities	8,385	3,227	27	5,131
Loans and advances	21,007	–	21,007	–
Investments and securities	744,965	741,195	3,770	–
Trade, other receivables and other assets	21,082	–	8,193	12,889
Derivative financial instruments	3,221	3,221	–	–
Cash and cash equivalents	30,474	–	30,474	–
Total assets that include financial instruments	855,526	747,643	63,612	44,271
Assets held for sale and distribution	774	–	–	774
Total other non-financial assets	54,602	–	–	54,602
Total assets	910,902	747,643	63,612	99,647
Liabilities				
Life insurance contract liabilities	141,156	–	–	141,156
Investment contract liabilities with discretionary participating features	198,483	–	–	198,483
Investment contract liabilities	314,071	313,109	962	–
Third-party interest in consolidated funds	80,814	80,814	–	–
Borrowed funds	18,989	7,122	11,867	–
Trade, other payables and other liabilities	52,520	2,471	39,864	10,185
Amounts owed to bank depositors	4,908	–	4,908	–
Derivative financial instruments	4,834	4,834	–	–
Total liabilities that include financial instruments	815,775	408,350	57,601	349,824
Total other non-financial liabilities	17,202	–	–	17,202
Total liabilities	832,977	408,350	57,601	367,026

At 31 December 2018	Total	Fair value through profit or loss	Amortised cost	Non- financial assets and liabilities
Assets				
Mandatory reserve deposits with central banks	145	–	145	–
Investments in associated undertakings and joint ventures	26,679	–	–	26,679
Reinsurers' share of policyholder liabilities	7,902	3,007	27	4,868
Loans and advances	21,243	–	21,243	–
Investments and securities	708,638	703,987	4,651	–
Trade, other receivables and other assets	20,567	–	13,541	7,026
Derivative financial instruments	2,779	2,779	–	–
Cash and cash equivalents	32,339	–	32,339	–
Total assets that include financial instruments	820,292	709,773	71,946	38,573
Assets held for sale and distribution	12,787	–	–	12,787
Total other non-financial assets	51,376	–	–	51,376
Total assets	884,455	709,773	71,946	102,736
Liabilities				
Life insurance contract liabilities	143,926	–	–	143,926
Investment contract liabilities with discretionary participating features	188,355	–	–	188,355
Investment contract liabilities	287,774	286,710	1,064	–
Third-party interest in consolidated funds	80,855	80,855	–	–
Borrowed funds	16,888	6,581	10,307	–
Trade, other payables and other liabilities	47,167	–	41,712	5,455
Amounts owed to bank depositors	7,213	–	7,213	–
Derivative financial instruments	5,327	5,327	–	–
Total liabilities that include financial instruments	777,505	379,473	60,296	337,736
Liabilities held for sale and distribution	8,716	–	–	8,716
Total other non-financial liabilities	16,814	–	–	16,814
Total liabilities	803,035	379,473	60,296	363,266

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

E: Financial assets and liabilities

E2: Fair values of financial assets and liabilities

The description of the determination of fair value and the fair value hierarchies of financial assets and liabilities described in this section applies to financial assets and liabilities for all the Group's businesses.

(a) Determination of fair value

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used.

In general, the following inputs are taken into account when evaluating the fair value of financial instruments:

- Assessing whether instruments are trading with sufficient frequency and volume, that they can be considered liquid.
- The inclusion of a measure of the counterparties' non-performance risk in the fair-value measurement of loans and advances, which involves the modelling of dynamic credit spreads.
- The inclusion of credit valuation adjustment and debit valuation adjustment in the fair-value measurement of derivative instruments.
- The inclusion of own credit risk in the calculation of the fair value of financial liabilities.

There have been no significant changes in the valuation techniques applied when valuing financial instruments. The general principles applied to those instruments measured at fair value are outlined below:

Reinsurers' share of policyholder liabilities

Reinsurers' share of policyholder liabilities are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Reinsurance contracts which cover financial risk are measured at fair value of the underlying assets.

Loans and advances

Loans and advances include mortgage loans, other asset-based loans, including collateralised debt obligations, and other secured and unsecured loans.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cash flows by using a credit-adjusted zero-coupon rate.

Investments and securities

Investments and securities include government and government-guaranteed securities, listed and unlisted debt securities, preference shares and debentures, listed and unlisted equity securities, listed and unlisted pooled investments (see below), short-term funds and securities treated as investments, and certain other securities.

Pooled investments represent the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles. Pooled investments are recognised at fair value. The fair values of pooled investments are based on widely published prices that are regularly updated or models based on the market prices of investments held in the underlying pooled investment funds.

Other investments and securities that are recognised at fair value are measured at observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising one or more of the following techniques: discounted cash flows, the application of an EBITDA multiple or any other relevant technique.

Investments in associated undertakings and joint ventures held by investment-linked insurance funds and venture capital divisions

Investments in associated undertakings and joint ventures are valued using appropriate valuation techniques. These techniques may include price earnings multiples, discounted cash flows or the adjusted value of similar completed transactions.

Derivative financial instruments

The fair value of derivatives is determined with reference to the exchange traded prices of the specific instruments. In situations where the derivatives are traded over the counter the fair value of the instruments is determined by using the discounted cash flows or any other relevant technique.

Investment contract liabilities

The fair value of the investment contract liabilities is determined with reference to the fair value of the underlying funds that are held by the Group.

Third-party interest in consolidation of funds

Third-party interests in consolidation of funds are measured at the attributable net asset value of each fund.

(a) Determination of fair value

Amounts owed to bank depositors

The fair values of amounts owed to bank depositors correspond with the carrying amount shown in the consolidated statement of financial position, which generally reflects the amount payable on demand.

Borrowed funds

The fair values of amounts included in borrowed funds are based on quoted market prices at the reporting date where applicable, or by reference to quoted prices of similar instruments.

Other financial assets and liabilities

The fair values of other financial assets and liabilities (comprising cash and cash equivalents; cash with central banks; trade, other receivables and other assets; and trade, other payables and other liabilities) reasonably approximate their carrying amounts as included in the consolidated statement of financial position as they are short-term in nature or re-priced to current market rates frequently.

(b) Fair value hierarchy

Fair values are determined according to the following hierarchy.

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, listed government securities and other listed debt securities and similar instruments that are actively traded, actively traded pooled investments, listed borrowed funds, reinsurers' share of policyholder liabilities and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data, with a majority determined with reference to observable prices. Certain loans and advances, certain privately placed debt instruments, third-party interests in consolidated funds and amounts owed to bank depositors.
Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.	Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments, and derivatives embedded in certain portfolios of insurance contracts where the derivative is not closely related to the host contract and the valuation contains significant unobservable inputs.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process. All businesses have significant processes in place to perform reviews of the appropriateness of the valuation of Level 3 instruments.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

(c) Transfer between fair value hierarchies

The Group deems a transfer to have occurred between Level 1 and Level 2 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine fair value of the instrument become unobservable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

E: Financial assets and liabilities

E3: Disclosure of financial assets and liabilities measured at fair value

(a) Financial assets and liabilities measured at fair value, classified according to fair value hierarchy

The table below presents a summary of the financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IFRS 9 classification:

At 31 December 2019 Rm	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Reinsurers' share of policyholder liabilities	3,227	3,227	–	–
Investments and securities	741,195	340,871	375,984	24,340
Derivative financial instruments – assets	3,221	–	3,221	–
Total financial assets measured at fair value	747,643	344,098	379,205	24,340
Financial liabilities measured at fair value				
Investment contract liabilities	313,109	140,092	173,017	–
Third-party interests in consolidated funds	80,814	–	80,814	–
Borrowed funds	7,122	–	7,122	–
Other liabilities	2,471	651	1,820	–
Derivative financial instruments – liabilities	4,834	–	4,834	–
Total financial liabilities measured at fair value	408,350	140,743	267,607	–

At 31 December 2018 Rm	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Reinsurers' share of policyholder liabilities	3,007	3,007	–	–
Investments and securities	703,987	386,316	287,252	30,419
Derivative financial instruments – assets	2,779	–	2,779	–
Total financial assets measured at fair value	709,773	389,323	290,031	30,419
Financial liabilities measured at fair value				
Investment contract liabilities	286,710	123,873	162,837	–
Third-party interests in consolidated funds	80,855	–	80,855	–
Borrowed funds	6,581	–	6,581	–
Derivative financial instruments – liabilities	5,327	–	5,327	–
Total financial liabilities measured at fair value	379,473	123,873	255,600	–

During the current year, investment contract liabilities to the value of R661 million were reclassified from level 1 to level 2 to better reflect the valuation technique used to value these liabilities.

For the year ended 31 December 2018, investment contract liabilities to the value of R123,873 million were reclassified from level 2 to level 1 to better reflect the valuation technique used to value these liabilities.

(b) Level 3 fair value hierarchy disclosure

The tables below reconcile the opening balances of Level 3 financial assets and liabilities to closing balances at the end of the year.

Year ended 31 December Rm	2019	2018
Level 3 financial assets – Investments and securities		
At beginning of the year	30,419	20,426
Total net fair value gains/(losses) recognised in profit or loss	(7,290)	(662)
Purchases and issues	3,487	3,664
Sales and settlements	(2,993)	(1,311)
Transfers in	1,937	9,458
Transfers out	(830)	(184)
Foreign exchange and other	(390)	(972)
Total Level 3 financial assets	24,340	30,419
Unrealised fair value gains recognised in profit or loss	134	786

At 31 December 2019, Level 3 assets comprised unlisted private company shares, unlisted debt securities and unlisted pooled investments mainly held by policyholder funds for which the majority of the investment risk is borne by policyholders.

During the year Investments and securities to the value of R1,937 million were reclassified from Level 2 to Level 3 in the separate disclosure to better reflect the valuation technique used to value these investments.

During the year Investments and securities to the value of R830 million were reclassified from Level 3 to Level 2 in the separate disclosure to better reflect the valuation technique used to value these investments.

For all reporting periods, the Group did not have any Level 3 financial liabilities.

(c)(i) Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental.

When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually.

The valuations of the private equity investments are performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. In determining the valuation of the investment the principal assumption used is the valuation multiples applied to the main financial indicators (such as adjusted earnings). The source of these multiples may include multiples for comparable listed companies which have been adjusted for discounts for non-tradability and valuation multiples earned on transactions in comparable sectors.

The valuations of asset-backed securities are determined by discounted cash flow models that generate the expected value of the asset, incorporating benchmark information on factors such as prepayment patterns, default rates, loss severities and the historical performance of the underlying assets. The outputs from the models used are calibrated with reference to similar securities for which external market information is available.

Structured notes and other derivatives are generally valued using option pricing models. For structured notes and other derivatives, principal assumptions concern the future volatility of asset values and the future correlation between asset values. For such unobservable assumptions, estimates are based on available market data, which may include the use of a proxy method to derive a volatility or correlation from comparable assets for which market data is more readily available, and examination of historical levels.

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For the year ended 31 December 2019

E: Financial assets and liabilities

E3: Disclosure of financial assets and liabilities measured at fair value

(c)(i) Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Details of the valuation techniques applied to the different categories of financial instruments can be found in note E2.

For Level 3 investments and securities, the fair value measurement sensitivity to changes in unobservable inputs are R2,056 million (2018: R1,378 million) favourable and R1,848 million (2018: R1,365 million) unfavourable.

Key inputs and assumptions used in the valuation models include discount rates (with the reasonably possible alternative assumptions calculated by increasing/decreasing the discount rate by 10%) and price earnings ratio (with the reasonably possible alternative assumptions calculated by increasing/decreasing the price earnings ratio by 10%).

Level 2 instruments are valued based on discounted projected cash flows, relative yields, or cost basis with reference to market-related inputs. Main inputs used for level 2 valuations include bond curves, interbank swap interest rate curves, and the forecasted consumer price index.

(c)(ii) Analysis of investments and securities classified as Level 3 hierarchy

The following table sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as Level 3.

Valuation technique	Significant unobservable input	Range of unobservable inputs
Discounted cash flow (DCF)	Risk adjusted discount rate:	
	– Equity risk premium	3.0% – 7.0%
	– Liquidity discount rate	5.0% – 30.0%
	– Nominal risk free rate	6.7% – 9.7%
Price earnings (PE) multiple/embedded value	PE ratio/multiple	1.2 – 11.2 times
Sum of parts	PE ratio and DCF	See PE ratio and DCF

All the business segments have performed an analysis of the impact of reasonable possible assumptions for unobservable inputs based on the specific characteristics of each instrument. As all the changes in assumptions are unique to each instrument, the disclosure of the range of changes in the assumptions would not provide the reader of the financial statements with any additional useful information as this is general information and does not relate to a specific instrument.

E4: Financial instruments designated as fair value through profit or loss

Certain borrowed funds that would otherwise be categorised as financial liabilities at amortised cost under IFRS 9, have been designated as fair value through profit or loss. Information relating to the change in fair value of these items as it relates to credit risk is shown in the table below.

Rm	Change in fair value due to change in credit risk			
	Fair value	Current financial year	Cumulative ¹	Contractual maturity amount
Borrowed funds at 31 December 2019	7,122	62	180	7,000
Borrowed funds at 31 December 2018	6,581	131	131	6,000

¹ The Group released R13 million of the liability credit reserve directly to the retained earnings on the repayment of R1,000 million unsecured subordinated debt. Refer to note A2 for more information.

The fair values of other categories of financial liabilities designated as fair value through profit or loss do not change significantly in respect of credit risk.

The change in fair value due to credit risk of financial liabilities designated at fair value through profit or loss has been determined as the difference between fair values determined using a liability curve (adjusted for credit risk) and a risk-free liability curve. This difference is cross-checked to market-related data on credit spreads, where available. The basis for not using credit default swaps to determine the change in fair value due to credit risk is the unavailability of reliable market priced instruments.

E5: Fair value hierarchy for assets and liabilities not measured at fair value

Certain financial instruments of the Group are not carried at fair value, principally investments and securities, loans and advances, certain borrowed funds and other financial assets and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments represents the Group's best estimate of the value at which these financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date. The Group's estimate of fair value does not necessarily represent the amount it would be able to realise on the sale of the asset or transfer of the financial liability in an involuntary liquidation or distressed sale.

The table below shows the fair value hierarchy only for those assets and liabilities for which the fair value is different to the carrying value and which is being estimated for the purpose of IFRS disclosure. Additional information regarding these and other financial instruments not carried at fair value is provided in the narrative following the table.

Rm	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities					
Borrowed funds at 31 December 2019	11,867	–	11,867	–	11,867
Borrowed funds at 31 December 2018	10,307	–	10,307	–	10,307

Investments and securities

For investments and securities presented within note E1 as amortised cost in terms of IFRS 9 and therefore not carried at fair value, the fair value has been determined based either on available market prices (Level 1) or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2).

Loans and advances

Loans and advances presented within note E1 as amortised cost in terms of IFRS 9, and therefore not carried at fair value, principally comprise variable rate financial assets and are classified as Level 3. The interest rates on these variable-rate financial assets are adjusted when the applicable benchmark interest rates change.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposals of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The Group is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

Borrowed funds

Borrowed funds presented within note E1 as financial liabilities at amortised cost in terms of IFRS 9 are not carried at fair value. The fair value is determined using either available market prices (Level 1) or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

E: Financial assets and liabilities

E6: Master netting or similar agreements

The Group offsets financial assets and liabilities in the consolidated statement of financial position when it has a legal enforceable right to do so and intends to settle on a net basis simultaneously. Certain master netting agreements do not provide the Group with the current legally enforceable right to offset the instruments. The majority of these transactions are governed by the principles of International Swaps and Derivatives Association or similar type of agreements. These agreements aim to protect the parties in the event of default.

At 31 December 2019 Rm	Gross amount of financial instrument	Amounts offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Amounts that may be netted off on the occurrence of a future event ¹	Position not available to be offset
Financial assets					
Derivative financial instruments – assets	3,221	–	3,221	(2,995)	226
Cash and cash equivalents	30,474	–	30,474	–	30,474
Financial liabilities					
Trade, other payables and other liabilities	52,520	(8)	52,512	–	52,512
Derivative financial instruments – liabilities	4,834	–	4,834	(2,995)	1,839

At 31 December 2018 Rm	Gross amount of financial instrument	Amounts offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Amounts that may be netted off on the occurrence of a future event ¹	Position not available to be offset
Financial assets					
Derivative financial instruments – assets	2,779	–	2,779	(2,779)	–
Cash and cash equivalents	32,339	–	32,339	–	32,339
Financial liabilities					
Trade, other payables and other liabilities	47,167	–	47,167	(81)	47,086
Derivative financial instruments – liabilities	5,327	–	5,327	(2,779)	2,548

¹ This represents the amounts that could be offset in the event of default and includes collateral received/pledged at the reporting date. These arrangements are typically governed by master netting and collateral arrangements. Details of the Group's security lending arrangements can be found in note G1.

Cash and bond collateral amounts not offset against derivative assets and liabilities in the statement of financial position are R950 million (2018: R2,049 million).

F: Financial Risk and Capital Management

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts, customer deposits and borrowings), reinsurance assets and insurance liabilities. The key focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and banking operations. The most important components of financial risk are credit risk, market risk (arising from changes in equity, bond prices, interest and foreign exchange rates) and liquidity risk.

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of directors has established the Board Risk Committee (BRC), which is responsible for developing and monitoring the Group's risk management policies through the Group Risk Control Function. The BRC reports regularly to the Board of directors on its activities.

The Group's risk preferences and appetite limits are set out in the Risk Strategy document which describes specific risk preferences and metrics. This Risk Strategy is reviewed at a minimum at least annually by the Old Mutual Limited Board and subsidiary risk preferences and appetite limits may need to be adjusted accordingly.

The Group manages asset and liability mismatches within a Market Risk Management framework together with a Liquidity Risk Management framework, both approved by the Group Asset and Liability Committee (ALCO). The aim of the frameworks is to ensure the identification of the applicable risks across the Group and provide guidance on the management (including mitigation) of the risks in line with the Group Risk Strategy.

The principal mitigation technique with regards to market risk (and asset/liability mismatches) is to match appropriate assets with the liabilities arising from applicable insurance and investment contracts (i.e. non-participating, unit-linked and with profit products) translating the liabilities into financial risk and managing the shareholder investment portfolio within a set mandate considering the Group Risk Strategy.

For insurance contracts defined as non-profit (i.e. benefits not linked to underlying asset performance) and those with embedded derivatives (i.e. benefits consist of upside participation and downside protection) the resultant market, credit and liquidity risk exposures are borne by the shareholder. Appropriate hedging strategies (which include derivative instruments) ensure that these exposures are managed within appetite. The notes below explain how the financial risks are managed using the categories utilised in the Market Risk framework. Note G2 explains in more detail how insurance risk is managed.

F1 Credit risk

Credit risk refers to the risk that a counterparty to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation to repay cash or deliver another financial asset. Losses incurred due to credit risk include actual losses from defaults, declines in the market value of the Group's assets due to credit rating downgrades and/or spread widening, or impairments and write-downs. Credit risk in the Group arises from a number of activities, namely banking, lending, trading and investing.

The Group, through its banking businesses, has material exposure to banking credit risk. The Group's lending businesses in South Africa, Zimbabwe and Kenya assume the majority of the Group's exposure to the default risk of borrowers. The credit provided to third parties is at times unsecured and the security that is pledged may prove to be insufficient, or such third parties may default on their obligations to the Group due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, fraud or other reasons. The Group's retail banking businesses have dedicated credit risk management processes to manage credit risk.

The Group also has material exposure through its insurance businesses where credit risk arises predominantly through the management of credit assets backing non-profit contracts (mostly annuity products), but also through direct credit exposure in shareholder capital. These credit assets are exposed to changes in the credit spreads, driven by either general market conditions, or counterparty-specific information.

The Group is also exposed to concentration risk within each business and between businesses, which is the risk of default by counterparties or in investments in which it has taken large positions, or which are highly correlated. The Group maintains limits on the values of transactions with single counterparties or investments in specific sectors.

The Group is also exposed to credit risk which results indirectly from activities undertaken in the normal course of business such as premium payments, outsourcing contracts, reinsurance, exposure from material suppliers and the lending of securities.

1.1 Credit risk governance

Credit risk is monitored through the Old Mutual Limited Management Credit Risk Committee (MCRC), a subcommittee of the Old Mutual Limited Balance Sheet Committee (BSC), to enable the Group Executive Committee (Exco) to discharge their obligations in terms of the Group's aggregated credit risk appetites, exposures and risk management.

The scope and authority of the Committee extends to all activities of the Group in which credit or counterparty credit risks are present. This includes credit risk arising through banking and insurance activities, encompassing both institutional and retail credit. The Committee relies on the work and reporting of the credit committees in the various credit-related businesses across the Group and assists the Exco to set and monitor credit policy and credit risk in the Group.

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F: Financial Risk and Capital Management

1.2 Credit risk management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure.

The key objective of the Group's Level 1 credit policy is to establish and define the overall framework for the consistent and unified governance, oversight, identification, measurement, monitoring, reporting and management of credit risk and counterparty credit risk across Old Mutual. The Level 1 credit policy sets out the high-level principles which must be applied in this regard. Boards of subsidiaries engaging in business activities that take on credit or counterparty credit risk, in any form (in non-profit funds, asset-based fees, surplus assets, banking and lending, investment guarantee reserves or debtors) regardless of whether it is for the shareholders or policyholders, are required to adopt this policy and ensure all the applicable requirements are implemented and complied with unless it is expressly agreed otherwise.

The Group's Level 2 credit policies and frameworks apply to all businesses taking on credit risk and counterparty credit risk. Level 2 credit policies and frameworks are split into two distinct portfolios: investment credit risk and banking credit risk. The Level 2 credit risk policies and frameworks set out detailed requirements which must be applied in investment management, banking and lending business units. These Level 2 credit policies must be attested to by the business units or functions to which they apply. In addition, these Level 2 policies set out the roles and responsibilities for governance committees, business units, functions and individuals involved in credit risk management processes throughout the Group for the business units and functions within the scope of the policy.

The Level 3 credit policies in the business units set out the detailed requirements for each business unit in alignment with the relevant Level 2 credit policy.

The Group manages its credit risk by having a comprehensive risk strategy for all risk types including credit risk, sound investment processes across single assets, single counterparties and aggregate credit portfolio, and comprehensive limit frameworks in place. The risk strategy includes a risk-return framework which sets the overall risk appetite and the risk appetite for specific risk types including credit risk.

Limit frameworks implemented places limits, where applicable, on single facilities, counterparties or groups of counterparties, industry segments, maturity bands and products and are based on both regulatory and economic risk considerations.

The Group ensures comprehensive mandates for the management of credit portfolios relating to insurance businesses are in place, including frameworks, policies and procedures to ensure the appropriate oversight of credit risk. The robust framework ensures a process for identifying, measuring, analysing, monitoring and reporting on risks, including a rigorous model risk governance framework and an independent group model validation capability. Credit risk management follows a rigorous operating model including governance committees, as well as group and business unit roles focused on the management and oversight of credit risk in accordance with Old Mutual Limited's Three Lines of Defense Model. The Group implements formalised and strict escalation processes relating to credit governance and the application, testing and monitoring of risk mitigation actions.

Each investment credit asset acquired follows a strict credit approval process, supported by a credit analysis considering both qualitative and quantitative aspects taking into account the risk return profile. This includes, inter alia, financial and industry analysis and risk assessments coupled with Environmental, Social and Governance analysis. Where applicable, external public credit ratings are considered and the credit quality of exposures are reviewed at least on an annual basis. The products offered in the banking credit environment is based on an internal assessment of credit defaults and recoveries to ensure the pricing meets the internal return targets.

Risk monitoring ensures that the risk management approaches in place are effective. The Group employs an active risk monitoring approach both at Group Level and Business Unit (BU) level based on the stated risk appetite and corresponding limits set to manage credit risk. Old Mutual Limited monitors credit risk at a portfolio level (aggregated over the BUs) whilst BUs monitor credit risk on, inter alia, individual deal, mandate, fund, product, customer segment, regional, counterparty, economic sector category levels, whichever is applicable, as well as on a BU Portfolio level. Credit risk exposures are monitored and assessed using appropriate metrics, including trend analysis and communicated to the relevant governance and management committees. Credit risk is monitored against early warning thresholds and exposures are monitored against limits. The monitoring of the banking credit assets focusses on comparing the actual default and recoveries experience to the expected levels assumed in the pricing.

The ongoing monitoring and a proactive view of emerging risks are integrated in the granting of new credit. The credit risk appetite and limits are accordingly adjusted to manage the portfolio in view of actual and potential changes in macroeconomic conditions. Portfolio management actions exist in the investment credit asset environment to reduce the exposure to certain counterparties or industries based on this outlook.

Recoveries management in the banking credit environment is a critical component of the credit management process. The recoveries process experience is monitored on an ongoing, with continued improvements made if the experience deviates from expected levels.

Collateral is mainly used in the investment credit portfolios to mitigate the amount of credit risk taken. This is part of the process to ensure Old Mutual Limited has appropriate legal protection in the event of default. Stricter loan covenant or higher levels or better quality collateral are required based on the counterparty and industry outlook. Collateral in the banking credit environment is product specific, where their level and quality of collateral required is based on the economic outlook, recoveries experience and client specific conditions.

Within the Expected Credit Loss process (ECL), the provision is monitored as part of the ongoing management of the underlying credit portfolio. This includes the monitoring of the actual credit experience to the expected levels of the following components; default rates, recovery rates and movements between the different ECL stages. The impact of any changes in the ECL parameters is calculated and reported at business units level. These impacts, together with all other credit risk metrics are reported at the management risk credit committee (as subcommittee of the board) on a quarterly basis as part of a forward looking approach to manage credit risk given emerging risks, opportunities and the defined risk appetite. The financial impact of the ECL provision on each business unit is included in the monthly finance reporting process.

1.3 Internal credit risk ratings

The Group uses internal credit risk ratings that reflect its assessment of the probability of default of individual counterparties in both the investment, banking and lending businesses.

The assessment of credit risk across the Group relies on internally developed rating models to categorise exposures according to their probability of default. The rating models comprises 28 rating categories (OM1 to OM28). These ratings are determined by incorporating both qualitative and quantitative information that builds on information from established rating agencies like Standard & Poors and Moody's, supplemented with information specific to the counterparty and other external information that could affect the counterparty's behaviour.

At initial recognition, each risk exposure is allocated to the credit rating based on the available information about the counterparty. All exposures are subsequently monitored through general and tailored procedures. The data used to monitor these exposures include, but are not limited, to credit information from external rating agencies, changes in business and economic conditions, payment record and aging, customer behaviour, affordability metrics, utilisation of credit limits, probability of default or any other applicable quantitative and qualitative factors.

1.4 Concentrations of credit risk

A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Group monitors concentrations of credit risk by geographic location. The Group manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance assets. The following table analyses the concentrations of credit risk by class of financial asset at 31 December 2019.

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F: Financial Risk and Capital Management

1.4 Concentrations of credit risk

1.4(a) Concentration of credit risk by geography

At 31 December 2019 Rm	South Africa	Rest of Africa	Other	Total
Mandatory reserve deposits with central banks	–	141	–	141
Loans and advances	14,955	6,052	–	21,007
Unsecured loans	14,623	4,316	–	18,939
Other secured loans	148	1,465	–	1,613
Home loans	–	163	–	163
Other loans and advances	184	108	–	292
Investments and securities	701,573	41,325	2,047	744,965
Government and government guaranteed securities	90,465	8,029	–	98,494
Preference shares, other debt securities and debentures	88,311	3,194	–	91,505
Short-term funds and securities treated as investments	76,982	4,224	–	81,226
Other investments and securities	445,815	25,878	2,047	473,740
Reinsurance share of policyholder liabilities	4,204	954	3,227	8,385
Trade, other receivables and other assets	18,758	1,269	1,055	21,082
Cash and cash equivalents	24,189	3,877	2,408	30,474
Derivative financial instruments – assets	3,221	–	–	3,221

At 31 December 2018 Rm	South Africa	Rest of Africa	Other	Total
Mandatory reserve deposits with central banks	–	145	–	145
Loans and advances	16,609	4,634	–	21,243
Unsecured loans	16,424	1,570	–	17,994
Other secured loans	185	1,475	–	1,660
Home loans	–	1,185	–	1,185
Credit cards & overdrafts	–	371	–	371
Other loans and advances	–	33	–	33
Investments and securities	693,778	14,848	12	708,638
Government and government guaranteed securities	83,115	8,032	–	91,147
Preference shares, other debt securities and debentures	86,332	2,522	12	88,866
Short-term funds and securities treated as investments	63,124	4,294	–	67,418
Other investments and securities	461,207	–	–	461,207
Reinsurance share of policyholder liabilities	3,970	925	3,007	7,902
Trade, other receivables and other assets	17,289	2,077	1,201	20,567
Cash and cash equivalents	23,532	2,069	6,738	32,339
Derivative financial instruments - assets	2,779	–	–	2,779

1.5 Exposure to credit risk: Financial assets at amortised cost and debt instruments at fair value through profit or loss

The Group holds collateral and other credit enhancements against certain of its credit exposures.

The following table sets out the maximum exposure to credit risk on financial assets within the scope of IFRS 9's impairment model, debt instruments measured fair value through profit or loss outside of the scope of IFRS 9's impairment model, as well as the impact of collateral and other credit enhancements on credit risk.

At 31 December 2019 Rm	Total financial assets	Within IFRS 9 ECL allowance scope	Outside of IFRS 9 ECL allowance scope
Mandatory reserve deposits with central banks	141	141	–
Reinsurers' share of policyholder liabilities	3,254	27	3,227
Loans and advances	21,007	21,007	–
Investments and securities	744,965	3,770	741,195
Government and government-guaranteed securities	98,494	–	98,494
Other debt securities, preference shares and debentures	91,505	3,770	87,735
Short-term funds and securities treated as investments	81,226	–	81,226
Other	473,740	–	473,740
Trade, other receivables and other assets	8,193	8,193	–
Derivative financial instruments – assets	3,221	–	3,221
Cash and cash equivalents	30,474	30,474	–

At 31 December 2018 Rm	Total financial assets	Within IFRS 9 ECL allowance scope	Outside of IFRS 9 ECL allowance scope
Mandatory reserve deposits with central banks	145	145	–
Reinsurers' share of policyholder liabilities	3,034	27	3,007
Loans and advances	21,243	21,243	–
Investments and securities	708,638	4,651	703,987
Government and government-guaranteed securities	91,147	–	91,147
Other debt securities, preference shares and debentures	88,866	4,651	84,215
Short-term funds and securities treated as investments	67,418	–	67,418
Other	461,207	–	461,207
Trade, other receivables and other assets	13,541	13,541	–
Derivative financial instruments – assets	2,779	–	2,779
Cash and cash equivalents	32,339	32,339	–

1.6 Collateral

(a) Loans and advances

Collateral is held as security against certain loans and advances detailed above, with this principally consisting of cash, properties and letters of credit.

(i) Financial collateral

The Group takes financial collateral to support exposures in its banking and securities and lending activities. Collateral held includes cash and debt securities. Cash collateral is included as part of cash equivalents. These transactions are entered into under terms and conditions that are standard industry practice for securities borrowing and lending activities.

(ii) Non-financial collateral

The Group takes other non-monetary collateral to recover outstanding lending exposures in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgage over property (both residential and commercial), and liens over business assets (including, but not limited to plant, vehicles, aircraft, inventories and trade debtors) and guarantees from parties other than the borrower. Where the Group is exposed to syndicated lending, the collateral offered by the borrower is secured by security special purpose vehicles.

Should a counterparty be unable to settle its obligations, the Group takes possession of collateral as full or part settlement of such amounts. In general, the Group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

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1.6 Collateral

(b) Other collateral

Securities held in respect of unlisted debt securities linked to real estate include first covering mortgages over the underlying properties, cession of rights, title and interest to lease agreements and cession of listed unit linked debentures. Securities held on loans extended in other industry sectors include cession of shares, debentures, bank accounts and rights to cash balances, accounts receivable and tangible and intangible assets held by the borrower.

1.7 Analysis financial assets held at amortised cost

At 31 December 2019 Rm	Gross carrying amount	Allowance for ECL	Net amount	Allowance for ECL		
				Stage 1	Stage 2	Stage 3
Mandatory reserve deposits with central banks	141	-	141	-	-	-
Reinsurers' share of policyholder liabilities	27	-	27	-	-	-
Loans and advances	25,230	(4,223)	21,007	(755)	(418)	(3,050)
Investments and securities	3,787	(17)	3,770	(17)	-	-
Trade, other receivables and other assets	8,447	(254)	8,193	-	(254)	-
Cash and cash equivalents	30,474	-	30,474	-	-	-
	68,106	(4,494)	63,612	(772)	(672)	(3,050)

At 31 December 2018 Rm	Gross carrying amount	Allowance for ECL	Net amount	Allowance for ECL		
				Stage 1	Stage 2	Stage 3
Mandatory reserve deposits with central banks	145	-	145	-	-	-
Reinsurers' share of policyholder liabilities	27	-	27	-	-	-
Loans and advances	24,996	(3,753)	21,243	(718)	(356)	(2,679)
Investments and securities	4,667	(16)	4,651	(16)	-	-
Trade, other receivables and other assets	13,728	(187)	13,541	-	(187)	-
Cash and cash equivalents	32,339	-	32,339	-	-	-
	75,902	(3,956)	71,946	(734)	(543)	(2,679)

The simplified approach for trade receivables has been applied, resulting in measuring the loss allowance at an amount equal to lifetime expected credit losses. The allowances have been displayed under stage 2 as allowances within this stage are also calculated on a lifetime expected credit loss basis.

1.8 Credit quality analysis

The following tables set out information about the credit quality of financial assets at amortised cost. The total carrying amounts represent the maximum exposure to credit risk at the reporting date:

Loans and advances at amortised cost at 31 December Rm	2019	2018
Stage 1 - Sub Investment grade (BB and lower)	15,499	16,246
Stage 2 - Sub Investment grade (BB and lower)	2,001	1,931
Stage 3 - Sub Investment grade (BB and lower)	2,362	1,974
Not in ECL scope - Investment grade (AAA to BBB)	1,145	1,092
Total	21,007	21,243

Based on the maturity profile of loans and advances, R7,748 million (2018: R5,369 million) is receivable no more than 12 months after the reporting date and R13,259 million (2018: R15,874 million) is receivable more than 12 months after the reporting date.

Investments and securities at amortised cost at 31 December 2019 Rm	Investment grade (AAA to BBB)	Sub-Investment grade (BB and lower)	Total
Stage 1	-	3,722	3,722
Stage 2	8	-	8
Stage 3	-	40	40
Total	8	3,762	3,770

Investments and securities at amortised cost at 31 December 2018 Rm	Investment grade (AAA to BBB)	Sub-Investment grade (BB and lower)	Total
Stage 1	394	4,160	4,554
Stage 2	66	31	97
Total	460	4,191	4,651

F1.9 Impairment of financial assets

(a) Overview

During the current financial year, the Group recognised expected credit loss of R1,878 million (2018: R1,060 million).

(b) Calculation of ECL

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD).

ECL reflects the Group's own expectations of credit losses. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating ECL, the Group also considers observable market information about the credit risk of the particular financial instrument or similar financial instruments.

The ECL loss amount depends on the specific stage where the financial instrument has been allocated to within the ECL model:

- **Stage 1:** At initial recognition a financial instrument is allocated into stage 1, except for purchased or originated credit impaired financial instruments.
- **Stage 2:** A financial instrument is allocated to stage 2 if there has been a significant increase in credit risk since initial recognition of the financial instrument.
- **Stage 3:** A financial instrument is allocated to stage 3 if the financial instrument is in default or is considered to be credit impaired.

The ECL loss allowances are measured on either of the following bases:

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F: Financial Risk and Capital Management

F1.9 Impairment of financial assets

- **Stage 1:** ECLs that result from possible default events within the 12 months after the reporting date; and
- **Stage 2 and Stage 3:** ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on future cash flows. Where such evidence exists, the exposure is assessed on an individual basis. In some instances, financial assets are grouped into categories in accordance with the term of the financial instrument or the percentage of expected payments that were received. Financial assets are also grouped according to the status of the financial asset. The Group makes use of estimates of PDs, LGDs and EADs to calculate the ECL balance for financial assets at amortised cost.

Depending on the relevant information available, PDs are based on historic default rate curves or linked to ratings assigned to counterparties which is set using hybrid models which comprise both conventional statistical models and expert judgement.

LGDs are derived from a default recovery time series model that takes recency of payments into account or through internally developed statistical models. The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The forecast value for the collateral is also affected by the range of forward-looking probability-weighted macroeconomic scenarios.

EADs are determined with reference to expected amortisation schedules, historical payment patterns and taking into account credit conversion factors as applicable for undrawn or revolving facilities.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The ECL calculation of a financial instrument takes into account both the contractual and available behavioural repayment patterns over the relevant estimation period.

(c) Significant increase in credit risk and default

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers quantitative and qualitative information based on the Group's historical experience, credit assessment and including forward-looking information.

The Group's assessment of a significant increase in credit risk from initial recognition consists of a primary and secondary risk driver as follows:

- The primary risk driver aligns to the quantitative credit risk assessments performed, such as the behaviour score, credit rating, probability of default or arrears aging of a financial instrument.
- The secondary risk assessment considers a broad range of qualitative risk factors based on a forward-looking view such as economic and sector outlooks. The secondary risk assessment can be performed on a portfolio basis as opposed to a quantitative assessment at a financial instrument level.

These primary and secondary risk drivers are included by the Group as part of the ongoing credit risk management.

When making a quantitative assessment, the Group uses the change in the probability of default occurring over the expected life of the financial instrument. This requires a measurement of the probability of default at initial recognition and at the reporting date.

A rebuttable assumption is that the credit risk since initial recognition has increased significantly if a financial instrument is 30 days past due on any payments or is one payment in arrears. It is not anticipated that this assumption will be rebutted. Financial assets at amortised cost can be transferred back to stage 1 or 2 within the ECL model if specific criteria have been met.

A financial asset is in default when the financial asset is credit-impaired or if the Basel definition of default is met. Where applicable, the rebuttable presumption that default does not occur later than when a financial asset is 90 days past due, is applied.

(d) Forward-looking information

Forward-looking information includes, but is not limited to macroeconomic conditions expected in the future. Forward-looking information used in the ECL calculation reflects the nature and characteristics of the credit risk exposures.

Forward-looking information models considers a set of macroeconomic factors and estimates the relationship between these factors and the key parameters used in calculating the ECL. The Group made use of cross-correlation functions, transfer function models, dynamic regression models and co-integration analyses to identify the impact of forward-looking information on the measurement of ECL balances.

Forward-looking factors have been considered taking into account risk factors used in risk assessments, stress testing, budgeting as well as strategy and pricing decisions. Relevant factors include factors intrinsic to the entity and its business or derived from external conditions.

The Group considers a range of scenarios over a time period of three years. A probability is assigned to the outcome of each scenario and the weighted average outcomes is considered to be the ECL balance. Forward-looking assessments are considered on an individual or collective basis.

When correlations do not exist and, where applicable, management applies expert judgement to determine an overlay provision to incorporate best estimates of the impact of forward-looking information. Any overlay provision is based on available information and qualitative risk factors within a governed process.

Estimates regarding credit risk parameters and the impact of forward-looking information used in the calculation of the ECL loss amount are reviewed at each reporting date and updated if necessary.

(e) Write-off policy

The Group writes off a financial instrument at amortised cost when the entity has no reasonable expectation of recovery of the outstanding balance of the instrument. Determining when to write off financial assets is a matter of judgement and incorporates both quantitative and qualitative information. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are examples of what could result in the write off of a financial asset at amortised cost:

- legal prescription
- settlement campaigns, collection efforts and legal processes do not result in the settlement of balances outstanding
- receipt of payments from insurers
- financial assets have been in arrears for a significant amount of time with no qualifying payments being received in recent months

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F: Financial Risk and Capital Management

Critical accounting estimates and judgements – ECL allowances for loans and advances

In determining the ECL allowances for loans and advances, the following significant judgements and estimates were considered.

- In the absence of sufficient depth of data and the sophistication of credit risk management systems and protocols, management applies expert judgement within a governance framework to determine the required parameters. The expert judgement process is based on available internal and external information.
- Due to differences in availability of data and maturity of credit risk management across the Group, different approaches are used to determine the key parameters.
- Judgement was applied in identifying the qualitative and quantitative triggers and thresholds used to identify significant increases in credit risk since initial recognition of the financial assets. Depending on the availability of reasonable and supportable information without undue cost or effort, significant increases in credit risk is identified through, amongst others, increases in behaviour scores, arrears aging and portfolio assessments.
- In some instances the 12-month PDs are calculated by a behaviour scoring model that takes into account internal and external information, where available. The 'behaviour PDs' are linked to empirical default rates. A specific change in the behaviour score (and associated PD) indicates that the credit risk has increased significantly since initial recognition. Identifying the specific change in the PD that would trigger a significant increase in credit risk includes a degree of judgement. The behaviour scorecard is monitored and is recalibrated if necessary. Translating 12-months PDs into lifetime PDs requires management judgement and is based on the timing of defaults observed historically. In low default commercial and corporate portfolios PDs are calculated using a combination of internal ratings, default experience and PD floors based on sovereign credit ratings for the jurisdiction.
- Various arrears aging thresholds are also used to determine whether a significant increase in credit risk took place since initial recognition. Judgement is applied to determine the appropriate arrears threshold for different financial assets. The Group also makes use of the rebuttable presumption that a significant increase in credit risk has taken place when a financial asset is 30 days past due or one payment in arrears.
- The Group applies judgement in identifying default and credit-impaired financial assets. In making this judgement, the Group considers the arrears category where the balance has been allocated to, whether the balance is in legal review, debt review or under administration or expert judgement. Financial asset are credit impaired when one or more events with a detrimental impact on the expected cash flows have taken place.
- A key judgement in determining the LGDs is the time period that the cash flows must be estimated for. The time period is estimated based on historical data that can be volatile. When the cash flows are too volatile the time period is capped to limit volatility. LGDs are influenced by estimates of the amounts to be recovered from the realisation of collateral and the estimated costs to realise the collateral.
- The Group has applied judgement in selecting the following macroeconomic factors: CPI inflation, the repo rate, unemployment rate and the household debt-to-income ratio. Management applied judgement in determining the number of scenarios to be used, the probability assigned to each scenario and the time period used to estimate the impact of forward-looking information of the ECL losses. By nature, the estimation of the values of macroeconomic factors in the near future is judgemental and subject to uncertainty.
- In the absence of a reliable correlation between macroeconomic factors and ECL losses, the Group applied expert judgement to decide whether a management overlay provision should be included in the measurement of ECL losses. After considering available information and qualitative risk factors within a governed process, the Group concluded that a management overlay provision will not be included in the measurement of ECL losses.

(g) Reconciliation of loss allowance relating to financial assets subsequently measured at amortised cost

The following table presents a reconciliation from the opening balance to the closing balance of the loss allowance for loans and advances at amortised cost, and how significant changes in the gross carrying amount contributed to changes in the loss allowance:

Loans and advances at amortised cost at 31 December 2019				
Rm	Total allowance for ECL	Stage 1	Stage 2	Stage 3
Balance at beginning of the year	(3,753)	(718)	(356)	(2,679)
Originations and interest accruals ¹	(1,587)	(968)	(138)	(481)
Repayments	1,856	610	318	928
Transfer to stage 1 ²	38	(31)	53	16
Transfer to stage 2 ²	(296)	154	(471)	21
Transfer to stage 3 ²	(1,837)	189	152	(2,178)
Model and risk parameter changes	(82)	(45)	1	(38)
Foreign exchange, write offs and other movements	1,438	54	23	1,361
Balance at end of the year	(4,223)	(755)	(418)	(3,050)

Loans and advances at amortised cost at 31 December 2018				
Rm	Total allowance for ECL	Stage 1	Stage 2	Stage 3
Balance at beginning of the year	(3,861)	(629)	(291)	(2,941)
Originations and interest accruals ¹	(1,646)	(1,168)	(111)	(367)
Repayments	1,956	625	284	1,047
Transfer to stage 1 ²	33	(86)	71	48
Transfer to stage 2 ²	(294)	207	(524)	23
Transfer to stage 3 ²	(1,150)	196	128	(1,474)
Model and risk parameter changes	177	69	47	61
Foreign exchange, write offs and other movements	1,032	68	40	924
Balance at end of the year	(3,753)	(718)	(356)	(2,679)

¹ The ECL recognised on interest accruals during the reporting period (which are not included in opening balances) are included within the 'Originations and interest accruals' based on the ECL stage as at the end of the reporting period.

² Transfers between ECL stages include the change in the ECL allowance amount as a result of the transfer.

Within the current year the provision for ECL increased due to growth in the book, an increase in the amount of the book transferred to stage 3 and a reduction in repayments in 2019. ECL allowance calculations for balances allocated to stage 3 is based on lifetime expected credit losses. We increased our exposure to what we rated as medium risk customers within South Africa, but due to the deteriorating economic environment and a faster than anticipated deterioration in credit quality of certain of these cohorts of customer's, credit losses increased. This was slightly mitigated by deliberately slowed growth of disbursements through pricing changes in the second half of 2019. The overall increase in ECL was slightly offset by fewer originations and lower interest accruals when compared to 2018, as well as an increase in balances written or paid off in 2019.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties with whom balances are held.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

F: Financial Risk and Capital Management

F2 Market risk

Market risk is the potential impact of unfavourable changes in foreign exchange rates, interest rates and equity price risk on the financial position and financial performance of the Group. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held, which in turn is driven by the nature of the business activities.

The Group has developed risk policies which set out the practices which are used to monitor and manage market risk. These policies are cascaded to business units across the Group. Each of the business units has its own established set of policies, principles and governance processes to monitor and manage market risk within its individual businesses and in accordance with local regulatory requirements.

Market risks on policies where the terms are guaranteed in advance and the investment risk is carried by the shareholders (e.g. guaranteed non-profit annuities) are predominantly matched with suitable dated interest-bearing assets which minimises interest rate risk and ensures adequate asset and liability matching.

Market risks on with-profit policies, where investment risk is shared between policyholders and shareholders, are minimised by appropriate bonus declaration practices and having suitable mandates for asset allocation (the stock selection and investment analysis process is supported by well-developed research functions). In addition, shareholder risk is further minimised through dynamically managed hedging strategies based on the risk attached to the various shareholder guarantees.

Market risk resulting from shareholder investments is managed through set asset allocation mandates in line with the Group Risk strategy.

The principal market risk arising in the Group's banking operations is interest rate risk on the banking book resulting from repricing and/or maturity mismatches between on and off balance sheet components in all banking business. Governance structures are in place to achieve effective independent monitoring and management of market risk.

Refer to note F5 for additional unaudited information on the Group's Embedded Value.

2.1: Currency translation risk

The Group has exposure to the risk that the fair value and future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates. From a capital perspective, the Group's capital is held where our risks are located and currency translation risk would only be realised if we were to require a transfer of surplus capital between regions during a period of stress. As per the Group Risk Strategy, selective appetite exists for currency translation risk.

The functional currencies of the Group's principal overseas operations are pound sterling.

In the following tables, the Other category includes the Group's exposure to Namibian dollar, Kenyan shilling, Malawian kwacha, Nigerian naira, and Zimbabwe dollar.

These foreign currency translation tables below have been prepared on the basis that the values of the economic hedging instruments are reflected at their carrying value as opposed to their notional amounts. Translation of foreign operations into rand does not expose the Group to foreign currency translation risk, but does expose the Group to volatility in financial position and performance of the underlying entities. Refer to note A1 for information on the translation of the Zimbabwean entities into rand.

At 31 December 2019 Rm	ZAR	GBP	USD	EUR	Other	Total
Assets						
Mandatory reserve deposits with central banks	-	-	-	-	141	141
Investments in associated undertakings and joint ventures' undertakings	25,098	879	194	10	70	26,251
Reinsurers' share of policyholder liabilities	4,171	3,274	58	-	882	8,385
Loans and advances	14,955	-	3	-	6,049	21,007
Investments and securities	567,230	12,566	123,790	3,493	37,886	744,965
Trade, other receivables and other assets	14,232	284	4,984	162	1,420	21,082
Derivative financial instruments – assets	3,215	-	6	-	-	3,221
Cash and cash equivalents	24,044	1,593	1,711	306	2,820	30,474
Total assets that include financial instruments	652,945	18,596	130,746	3,971	49,268	855,526
Assets held for sale and distribution	774	-	-	-	-	774
Total non-financial assets	38,446	871	1,162	5,414	8,709	54,602
Total assets	692,165	19,467	131,908	9,385	57,977	910,902
Liabilities						
Long term business insurance policyholder liabilities	560,239	13,864	40,992	1,255	37,360	653,710
Third-party interest in consolidation of funds	80,814	-	-	-	-	80,814
Borrowed funds	16,072	-	565	-	2,352	18,989
Trade, other payables and other liabilities	36,188	2,041	9,883	3,023	1,385	52,520
Amounts owed to bank depositors	-	-	-	-	4,908	4,908
Derivative financial instruments – liabilities	4,704	-	93	37	-	4,834
Total liabilities that include financial instruments	698,017	15,905	51,533	4,315	46,005	815,775
Liabilities held for sale and distribution	-	-	-	-	-	-
Total non-financial liabilities	12,353	201	1,241	271	3,136	17,202
Total liabilities	710,370	16,106	52,774	4,586	49,141	832,977

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For the year ended 31 December 2019

F: Financial Risk and Capital Management

F2 Market risk

2.1: Currency translation risk

At 31 December 2018

Rm	ZAR	GBP	USD	EUR	Other	Total
Assets						
Mandatory reserve deposits with central banks	–	–	–	–	145	145
Investments in associated undertakings and joint ventures' undertakings	25,298	862	111	–	408	26,679
Reinsurers' share of policyholder liabilities	3,901	3,007	22	–	972	7,902
Loans and advances	13,214	–	455	–	7,574	21,243
Investments and securities	533,536	9,531	114,268	2,557	48,746	708,638
Trade, other receivables and other assets	17,038	57	711	481	2,280	20,567
Derivative financial instruments – assets	2,779	–	–	–	–	2,779
Cash and cash equivalents	24,034	3,711	2,231	291	2,072	32,339
Total assets that include financial instruments	619,800	17,168	117,798	3,329	62,197	820,292
Assets held for sale and distribution	–	46	–	–	12,741	12,787
Total other non-financial assets	35,942	2	2,396	4,470	8,566	51,376
Total assets	655,742	17,216	120,194	7,799	83,504	884,455
Liabilities						
Life assurance policyholder liabilities	525,676	11,538	32,323	3,358	47,160	620,055
Third-party interest in consolidation of funds	80,855	–	–	–	–	80,855
Borrowed funds	14,090	–	765	–	2,033	16,888
Trade, other payables and other liabilities	32,923	7,353	675	2,536	3,680	47,167
Amounts owed to bank depositors	–	–	136	–	7,077	7,213
Derivative financial instruments – liabilities	5,089	–	–	–	238	5,327
Total liabilities that include financial instruments	658,633	18,891	33,899	5,894	60,188	777,505
Liabilities held for sale and distribution	–	–	43	–	8,673	8,716
Total other non-financial liabilities	12,149	515	121	258	3,771	16,814
Total liabilities	670,782	19,406	34,063	6,152	72,632	803,035

The Group may reduce currency translation risk through the use of currency swaps, currency borrowings and forward foreign exchange contracts.

Sensitivity analysis

The following analysis is performed for reasonably possible movements in key variables, with all other variables held constant, showing the impact on, profit before tax, and equity due to changes in the fair value of currency-sensitive monetary assets and liabilities, including those relating to insurance and reinsurance contracts. The correlation of variables will have a significant effect in determining the ultimate impact of currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. The method used for deriving sensitivity information and significant variables did not change from the previous year:

Rm	Change in exchange rate	Impact on profit before tax		Impact on equity	
		Strengthening	Weakening	Strengthening	Weakening
At 31 December 2019					
GBP	10%	(336)	336	(336)	336
USD	10%	(7,913)	7,913	(7,913)	7,913
At 31 December 2018					
GBP	10%	(1,721)	1,721	(1,721)	1,721
USD	10%	(12,019)	12,019	(12,019)	12,019

2.2 Interest rate risk

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the Group's earnings and the value of its assets, liabilities and capital.

The Group has due regard to the nature of the liabilities and guarantees given to policyholders. As a rule, the interest rate risk of such liabilities is managed by investing in fixed interest assets of similar duration.

For guaranteed products that have a durational mismatch between premium inflows and benefit and expense outflows, mainly pure risk products, matching of assets and liabilities is complex and earnings are exposed to interest rate movements. Hedging strategies and a discretionary margin are in place to limit this exposure to interest rate movements.

For products with embedded guarantees, investment guarantee reserves (IGRs) are calculated on a market-consistent basis. These IGRs are very sensitive to movements in interest rates as well as the implied volatility of interest rates, with a reduction in interest rates and/or an adverse change (up or down depending on the product's exposure) in implied interest rate volatility increasing the reserves held. Economic hedging is largely in place to mitigate the impact of interest rate movements. A discretionary margin is also held for the potential ineffectiveness of such hedging strategies and for the movements in implied volatilities which are not currently hedged.

Investment guarantee reserves calculated on a market-consistent basis are very sensitive to movements in interest rates as well as the implied volatility of interest rates, with a reduction in interest rates or an increase in implied interest rate volatility increasing the reserves held. Economic hedging is largely in place to mitigate the impact of interest rate movements. A discretionary margin is also held for the potential ineffectiveness of such hedging strategies and for the movements in implied volatilities which are not currently hedged.

2.3 Equity price risk

Investments and securities are subject to equity price risk to the extent that the underlying asset allocation strategies include equity.

Where products have embedded guarantees, the shareholder shares in the equity price level should said guarantees "bite". The value of these guarantees are reflected in stochastically calculated IGRs on a market-consistent basis. IGRs are sensitive to movements in equity prices as well as implied equity volatility, with a reduction in equity prices and/or an increase in implied equity volatility typically increasing the reserves held. Economic hedging is in place to largely mitigate the impact of equity price movements. A discretionary margin is also held for the potential ineffectiveness of such hedging strategies and for the movements in implied volatilities which are not currently hedged.

Indirect shareholder exposure to equity price risk exists where fees earned on products (primarily smoothed bonus, with-profit annuities and unit-linked) are based on the underlying portfolio.

There is limited exposure to equity price risk in non-profit products as equity securities are generally not regarded as suitable to match such insurance obligations (where the main risk is interest rate risk).

Shareholder capital is also exposed to equity price risk due to related equity investments forming part of the Strategic Asset Allocation (or SAA) strategy. The exposure of SA shareholder capital investments to adverse movements in equity prices is mitigated to a large degree by the utilisation of equity hedging instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

F: Financial Risk and Capital Management

F3: Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The principal subsidiaries are responsible for managing their own liquidity needs in line with the Group financial management framework. This allows the subsidiaries to withstand plausible, but severe stresses, taking into account any applicable local regulations. The work is overseen by the local subsidiary company's board, which for material subsidiaries includes Group representation. Liquidity is also held centrally to meet the liquidity demands as a listed holding company.

The Group liquidity position is monitored over a forecast period of 24 months. The Group's central liquidity risk appetite is to maintain a liquidity coverage ratio (available liquidity to required liquidity under stress) of at least 150% over the forecast period.

The embedding of the liquidity framework is most mature in South Africa and work is ongoing to embed the framework in the other territories.

The primary sources of liquidity risk are:

- Within the insurance businesses, the relatively illiquid nature of the insurance liabilities can provide a potential source of additional investment return by enabling the Group to invest in higher yielding but less liquid assets. The largest exposure, of this nature relates to the annuity portfolios in OMLACSA where a combination of credit assets and swap instruments are used. The swap instruments give rise to collateral calls in a rising interest rate environment.
- Within the Banking and Lending businesses, liquidity and funding risks arise due to the potential mis-match between the time period for the loans to customers and the sources of funding. Old Mutual Finance does not take retail deposits and its funding is provided by lenders and it is therefore subject to the covenants within the underlying funding agreements. Central African Building Society (CABS) is a regulated building society in Zimbabwe and is subject to local banking regulation. Faulu Microfinance Bank Limited (FAULU) is a regulated deposit-taking micro-lender and is subject to local regulation. Both CABS and FAULU also use external lenders and hence will be subject to the covenants of the associated funding agreements.
- Within the Group's central treasury function, the key liquidity risks relate to the balance between remittances received from the businesses either by way of operations or through capital items, compared to central costs including debt funding and/or capital or liquidity demands of the businesses.

The above risks are mitigated by a combination of holding ample readily accessible liquidity where the risks lie, whether these arise from shareholder commitments or policyholder liabilities, having access to contingent sources of liquidity such as the Group's revolving credit facility, management processes to monitor lending covenants and management actions to proactively remedy any deterioration in the covenant status and free up additional liquidity in case of a deteriorating external environment. In the event of a liquidity risk occurring the actual actions to be taken will be tailored to the specific circumstances.

The contractual maturities of the Group's financial liabilities and insurance contracts are set out in notes G2, G3 and G4.

F4: Capital management

The Group aims to maintain its solvency levels within the target range of 155% to 175%. The target range has been set with reference to the requirements of relevant stakeholders and seeks to ensure we maintain sufficient, but not excessive, financial strength to support stakeholder requirements and retain financial flexibility through the maintenance of sufficient liquidity. The Group's capital requirements are supported by equity shareholders' funds and qualifying subordinated debt.

The Prudential Standards prescribed under the Insurance Act seek to improve policyholder protection and contribute to financial stability through aligning insurers' regulatory capital requirements with underlying risks. It also strengthens the regulatory requirements in respect of governance, risk management and internal controls for insurers and aligns with international standards. In accordance with the Prudential Standards, each insurance company must maintain own funds to cover at a minimum their capital requirements. In practice, companies will hold a buffer above this minimum requirement. The solvency capital requirements (SCR) is the primary solvency capital requirement for South African insurers. The SCR is calibrated to correspond to the amount of own funds that an insurer needs to hold at a confidence level of 99.5% over a one-year period. The SCR can be calculated either using the Standard Formula or an Internal Model.

The required capital for OMLACSA, which is the major component of the Group solvency, is calculated using the Standard Formula. This requires the calculation of capital requirements for each key risk category, namely business risk, market risk, life liability risk, credit, counterparty and concentration risk, operational risk and currency risk. The capital requirements for each risk category are aggregated using a prescribed correlation matrix, which allows for diversification effects between some of the risk categories. Subject to regulatory approval, the Standard Formula allows for certain methodology elections to be made.

The Group solvency capital position must be compliant with regulatory requirements at all times. In addition to the calculated regulatory capital requirement, the Group holds a buffer above these minimum requirements that will allow it to remain compliant after a predefined extreme adverse scenario. The primary sources of capital used by the Group are shareholders equity and qualifying subordinated debt. There are a number of constraints, including the Group's desired credit rating, required liquidity and dividend capacity, which inform the optimal mix of capital sources.

The Group solvency ratio presented is prepared on a consistent basis to the prior year. The process of securing the insurance group designation and certain methodology approvals from the Prudential Authority for the Group's proposed basis remains ongoing. At 31 December 2019 the unaudited solvency ratio for the Group was 161% (2018: 168%). This is calculated as total own funds of R98.7 billion divided by total solvency capital requirement of R91.3 billion. These values are unaudited.

F5: Other unaudited information

The following table shows the sensitivity of the Group's embedded value to changes in key assumptions. Embedded value is a measure of the value of shareholders' interests in the covered business of the company after sufficient allowance has been made for the aggregate risks in the covered business. It is measured in a way that is consistent with the value that would normally be placed on the cashflows generated by these assets and liabilities in a deep and liquid market. All calculations include the impact on the time-value reserves necessary for policyholder financial options and guarantees.

For each sensitivity illustrated, all other assumptions have been left unchanged except where they are directly affected by the revised conditions. Sensitivity scenarios therefore include consistent changes in cash flows directly affected by the changed assumption(s), for example future bonus participation in changed economic scenarios. For more information on the Group's embedded value, refer to pages 115 to 124 of the Additional Disclosures in the Group Annual Results published on 16 March 2020. This information has not been audited by the Group's auditors.

At 31 December	Unaudited 2019	Unaudited 2018
Rm	EV	EV
Central assumptions	72,297	66,398
Value given changes in:		
Economic assumptions 100bps increase ¹	72,171	66,375
Economic assumptions 100bps decrease ¹	72,218	66,093
Equity/property market value 10% increase ²	74,337	68,623
Equity/property market value 10% decrease ²	70,213	64,147
10bps increase of liquidity spreads ³	72,466	66,557
50bps contraction on corporate bond spreads ⁴	72,667	66,781
25% increase in equity/property implied volatilities ⁵	71,662	65,112
25% increase in swaption implied volatilities ⁶	72,105	66,338
10% decrease in discontinuance rates ⁷	74,314	68,003
10% decrease in maintenance expenses ⁸	74,044	68,297
5% decrease in mortality/morbidity rates ⁹	75,136	69,175
5% decrease in annuitant mortality assumption ¹⁰	71,985	66,110

¹ Economic assumptions 100bps increase/decrease: Increasing/decreasing all pre-tax investment and economic assumptions (projected investment returns and inflation) by 100bps, with credited rates and discount rates changing commensurately.

² Equity/property market value 10% increase/decrease: Equity and property market value increasing/decreasing by 10%, with all pre-tax investment and economic assumptions unchanged.

³ 10bps increase in liquidity spreads: Recognising the present value of an additional 10bps of liquidity spreads assumed on corporate bonds over the lifetime of the liabilities (annuities only), with credited rates and discount rates changing commensurately.

⁴ 50bps contraction on corporate bond spreads.

⁵ 25% increase in equity/property implied volatilities: 25% multiplicative increase in implied volatilities.

⁶ 25% increase in swaption implied volatilities: 25% multiplicative increase in implied volatilities.

⁷ 10% decrease in discontinuance rate.

⁸ 10% decrease in maintenance expenses: Maintenance expense levels decreasing by 10%, with no corresponding decrease in policy charges.

⁹ 5% decrease in mortality/morbidity rates: Mortality and morbidity assumptions for assurances decreasing by 5%, with no corresponding decrease in policy charges.

¹⁰ 5% decrease in annuitant mortality assumption: Mortality assumption for annuities decreasing by 5%, with no corresponding increase in policy charges.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

G: Analysis of Financial Assets and Liabilities

G1: Investments and securities and derivative financial assets and liabilities

(a) Investments and securities

The table below analyses the investments and securities that the Group invests in, either for its own proprietary behalf (shareholder funds) or on behalf of third parties (either policyholder funds or pooled investments).

At 31 December Rm	2019	2018
Government and government-guaranteed securities	98,494	91,147
Other debt securities, preference shares and debentures	91,505	88,866
Listed	28,605	26,202
Unlisted	62,900	62,664
Equity securities	276,293	270,683
Listed	257,263	250,705
Unlisted	19,030	19,978
Pooled investments ¹	194,906	179,054
Listed	116,282	109,599
Unlisted	78,624	69,455
Short-term funds and securities treated as investments	81,226	67,418
Other	2,541	11,470
Total investments and securities	744,965	708,638

¹ Pooled investments represent the Group's holdings of shares or units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles which are not consolidated.

At 31 December 2019 the Group lent equity assets of R694 million (2018: R841 million) under securities lending arrangements and received cash collateral of R775 million (2018: R953 million).

The Group conducts securities lending activities as lender in respect of some of its listed equities and bonds. The fair value of collateral accepted as security for securities lending arrangements amount to R1,635 million.

For both reporting periods, the Group has not provided any cash collateral for security borrowing arrangements.

The Group has placed government and negotiable certificates of deposits amounting to R9,926 million (2018: R6,337 million) as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but do not qualify for derecognition under IFRS 9. The associated (recorded within trade, other payables and other liabilities in the Consolidated Statement of Financial Position) liabilities amounted to R9,953 million (2018: R6,082 million).

Investments and securities are regarded as current and non-current assets based on the intention with which the financial assets are held, as well as their contractual maturity profile. Of the amounts shown above, R68,441 million (2018: R116,534 million) is expected to be recoverable within 12 months from the reporting date and R676,524 million (2018: R592,104 million) is expected to be recovered more than 12 months from the reporting date.

Equity securities are used for a combination of activities. The majority of the listed securities are traded on well-established exchanges such as the New York Stock Exchange, London Stock Exchange and JSE Securities Exchange.

The Group's holdings of unlisted equity securities arise principally from private equity investment and unlisted investment vehicles.

(b) Derivative financial assets and liabilities

Derivative financial assets and liabilities predominately consist of interest rate contracts used to hedge the Group's borrowed fund fixed and variable interest rate exposures.

R60 million (2018: R96 million) of the total derivative financial assets of R3,221 million (2018: R2,779 million) is regarded as current with the remainder being non-current.

R162 million (2018: R31 million) of the total derivative financial liabilities of R4,834 million (2018: R5,327 million) is regarded as current with the remainder being non-current.

G2: Insurance and investment contracts

Life assurance

Classification of contracts

Life assurance contracts are categorised into insurance contracts, contracts with a discretionary participating feature or investment contracts, in accordance with the classification criteria set out in the paragraphs below.

For the Group's unit-linked assurance business, contracts are separated into an insurance component and an investment component (known as unbundling) and each unbundled component is accounted for separately in accordance with the accounting policy for that component. The treatment of these types of contracts as separate components (unbundling) only occurs when there is a small or insignificant amount of insurance risk in the contract. Other kinds of contracts are considered and categorised as a whole.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is risk other than financial risk. Contracts accounted for as insurance contracts include life assurance contracts and savings contracts providing more than an insignificant amount of life assurance protection.

Financial risks are the risks of a possible future change in one or more of an interest rate, security price, security index, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Contracts with discretionary participation features are those under which the policyholder holds a contractual right to receive additional payments as a supplement to guaranteed minimum payments. These additional payments, the amount and timing of which is at the Group's discretion, represent a significant portion of the total contractual payments. These are contractually based on (i) the performance of a specified pool of contracts or a specified type of contract, (ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group or (iii) the profit or loss of the Group. Investment contracts with discretionary participation features, which have no life assurance protection in the policy terms, are accounted for in the same manner as insurance contracts.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant (or there is no transfer of insurance risk) and where there is no discretionary participation are classified as investment contracts. Such contracts include unit-linked savings and/or investment contracts sold without life assurance protection and are classified as financial instruments.

Premiums on life assurance

Premiums and annuity considerations receivable under insurance contracts and investment contracts with a discretionary participation feature are stated gross of commission and exclude taxes and levies. Premiums in respect of unit-linked insurance contracts are recognised when the liability is established. Premiums in respect of insurance contracts and investment contracts with a discretionary participation feature are recognised when due for payment.

Outward reinsurance premiums are recognised when due for payment

Amounts received under investment contracts, other than those with a discretionary participation feature, and unit-linked assurance contracts are not recorded through profit or loss, except for fee income and investment income attributable to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to investment contract liabilities.

Claims paid on life assurance

Claims paid under insurance contracts and investment contracts with a discretionary participating feature include maturities, annuities, surrenders, death and disability payments.

Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for in profit or loss when notified.

Reinsurance recoveries in profit or loss are recognised in profit or loss in the same period as the related claim.

Amounts paid under investment contracts other than those with a discretionary participating feature and unit-linked assurance contracts are recorded as reductions of the investment contract liabilities.

Life Insurance contract liabilities

Life insurance contract liabilities for African businesses are computed using a gross premium valuation method. Provisions in respect of South African businesses are made in accordance with the Financial Soundness Valuation basis as set out in the latest version of the guidelines issued by the Actuarial Society of South Africa in Standard of Actuarial Practice (SAP) 104. Under these guidelines, provisions are valued using realistic expectations of future experience, with margins for prudence and deferral of profit emergence.

Provisions for investment contracts with a discretionary participating feature are also computed using the gross premium valuation method in accordance with the Financial Soundness Valuation basis. Surplus allocated to policyholders but not yet distributed related to these contracts is included as part of life assurance policyholder liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

G: Analysis of Financial Assets and Liabilities

G2: Insurance and investment contracts

Reserves for immediate annuities and other guaranteed payments are computed on the prospective deposit method, which produces reserves equal to the present value of future benefit payments.

For other territories, the valuation bases adopted are in accordance with local actuarial practices and methodologies.

Derivative instruments embedded in a life insurance contract are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as a life insurance contract. In this case the entire contract is measured as described above.

The Group performs liability adequacy testing at a business unit level on its insurance liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs and intangible assets) is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount to the carrying value of the liability at discount rates appropriate to the business in question. Where a shortfall is identified, an additional provision is made by increasing the liability held. The provision assumptions and estimation techniques are periodically reviewed, with any changes in estimates reflected in profit or loss as they occur.

Whilst the directors consider that the gross life insurance contract liabilities and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided.

In respect of the South African life assurance business, shadow accounting is applied to life insurance contract liabilities where the underlying measurement of the policyholder liability depends directly on the value of owner-occupied property and the unrealised gains or losses on such property, which are recognised in other comprehensive income. The shadow accounting adjustment to life insurance contract liabilities is recognised in other comprehensive income to the extent that the unrealised gains or losses on owner-occupied property backing life insurance contract liabilities are also recognised directly in other comprehensive income.

Financial guarantee contracts, issued in insurance contracts are recognised as part of the overall measurement of insurance contracts. Liability adequacy testing is performed to ensure that the carrying amount of the liability for financial guarantee contracts is sufficient.

Investment contract liabilities

Investment contract liabilities in respect of the Group's business other than unit-linked business are recorded at amortised cost unless they are designated at fair value through profit or loss in order to eliminate or significantly reduce a measurement or recognition inconsistency, for example where the corresponding assets are recorded at fair value through profit or loss.

Investment contract liabilities in respect of the Group's unit-linked business are recorded at fair value. For such liabilities, including the deposit component of unbundled unit-linked assurance contracts, fair value is calculated as the account balance, which is the value of the units allocated to the policyholder, based on the bid price of the assets in the underlying fund (adjusted for tax).

Investment contract liabilities measured at fair value are subject to a 'deposit floor' such that the liability established cannot be less than the amount repayable on demand.

Acquisition costs

Acquisition costs for insurance contracts comprise all direct and indirect costs arising from the sale of insurance contracts.

As the gross premium valuation method used in South Africa to determine insurance contract liabilities makes implicit allowance for the deferral of acquisition costs, no explicit deferred acquisition cost asset is recognised in the consolidated statement of financial position for the contracts issued in these areas.

Deferral of costs on insurance business in other territories is limited to the extent that they are deemed recoverable from available future margins.

Property and Casualty

Contracts under which the Group accepts significant insurance risk from another party and which are not classified as life insurance are classified as Property and Casualty. All classes of Property and Casualty business are accounted for on an annual basis.

Premiums on Property and Casualty

Premiums are stated gross of commissions, exclude taxes and levies and are accounted for in the period in which the risk commences. The proportion of the premiums written relating to periods of risk after the reporting date is carried forward to subsequent accounting periods as unearned premiums as a liability, so that earned premiums relate to risks carried during the accounting period.

Claims on Property and Casualty

Claims incurred, which are recognised in profit or loss, comprise the settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to, but not paid, at the end of the accounting period, whether reported or not.

Outstanding claims do not include any provision for possible future claims where the claims arise under contracts not in existence at the reporting date.

The Group performs liability adequacy testing at a business unit level on its claim liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs and the unearned premium reserve) is sufficient in view of estimated future undiscounted cash flows.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events, and may result in significant adjustments to the amount provided. Adjustments to the amounts of claims provisions established in prior years are reflected in profit or loss in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used and estimates made are reviewed regularly.

Acquisition costs on Property and Casualty

Acquisition costs, which represent commission and other related expenses, are deferred and amortised over the period in which the related Property and Casualty premiums are earned.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For the Property and Casualty business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in reinsurance assets.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the insurance liabilities held in respect of the related insurance contracts. Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Critical accounting estimates and judgements – Insurance and investment contract liabilities

Discretionary reserves

Insurance and investment contract liabilities in South Africa are determined as the aggregate of:

- Best estimate liabilities, with assumptions allowing for the best estimate of future experience and a market-consistent valuation of financial options and guarantees
- Compulsory margins, prescribed in terms of South African professional actuarial guidance note (SAP 104) as explicit changes to actuarial assumptions that increase the level of insurance and investment contract liabilities held, and
- Discretionary margins, permitted by SAP 104, to allow for the uncertainty inherent in estimates of future experience after considering available options of managing that experience over time, or to defer the release of profits consistent with policy design or company practice.

Discretionary margins of R7,911million (1.3% of total insurance and investment contract liabilities) were held at 31 December 2019 (2018: R7,984 million, 1.4% of total insurance and investment contract liabilities). This consisted largely of:

- Margins held for Mass and Foundation Cluster protection business, which allow for the uncertainty related to mortality experience in South Africa, as well as future lapse experience and future investment returns, and to ensure that profit is released appropriately over the term of the policies
- Margins to allow for the uncertainty inherent in the assumptions used to value financial options and guarantees, implied volatility assumptions in particular, which are difficult to hedge due to the short term nature of the equity option market in South Africa
- Margins on non-profit annuities, due to the inability to fully match assets to liabilities as a result of the limited availability of long-dated bonds, and to provide for longevity risk, and
- Margins for the uncertainty inherent in future economic assumptions used to calculate, mainly protection product liabilities, in the Personal Finance and Mass and Foundation Cluster businesses. Although interest rate hedging is used to manage interest rate risk on these products, the volatility of bond yields in South Africa means that it is difficult to maintain appropriate hedging positions without incurring significant trading costs. The discretionary margin therefore caters for the residual uncertainty present after allowing for the hedge programme that is in place.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

G: Analysis of Financial Assets and Liabilities

G2: Insurance and investment contracts

(a) Net earned premiums

The Group's net earned premiums from insurance and investment contracts are analysed as follows:

Year ended 31 December Rm	2019	2018
Premiums earned		
Life insurance contracts	30,979	29,311
Investment contracts with discretionary participation features	31,567	32,920
Property & casualty	18,212	16,498
Gross insurance premium revenue	80,758	78,729
Outwards reinsurance	(7,998)	(6,683)
Net earned premiums	72,760	72,046

(b) Policyholder liabilities

The Group's insurance and investment contracts are analysed as follows:

Year ended 31 December Rm	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Life assurance policyholder liabilities						
Total life insurance contracts liabilities	141,156	(1,849)	139,307	143,926	(810)	143,116
Life insurance contracts liabilities	139,046	(1,653)	137,393	141,756	(810)	140,946
Outstanding claims	2,110	(196)	1,914	2,170	-	2,170
Investment contract liabilities	512,554	(3,140)	509,414	476,129	(3,007)	473,122
Unit-linked investment contracts and similar contracts	312,984	(3,140)	309,844	286,521	(3,007)	283,514
Other investment contracts	1,087	-	1,087	1,253	-	1,253
Investment contracts with discretionary participating features	198,483	-	198,483	188,355	-	188,355
Total life assurance policyholder liabilities	653,710	(4,989)	648,721	620,055	(3,817)	616,238
Property & casualty liabilities						
Claims incurred but not reported	1,382	(407)	975	1,255	(369)	886
Unearned premiums	2,885	(1,359)	1,526	2,870	(1,408)	1,462
Outstanding claims	4,593	(1,630)	2,963	4,974	(2,308)	2,666
Total property & casualty liabilities	8,860	(3,396)	5,464	9,099	(4,085)	5,014
Total policyholder liabilities	662,570	(8,385)	654,185	629,154	(7,902)	621,252

Of the R8,385 million (2018: R7,902 million) included in reinsurer's share of life assurance policyholder and Property & Casualty liabilities is an amount of R5,319 million (2018: R681 million) which is recoverable within 12 months from the reporting date. The remainder is recoverable more than 12 months from the reporting date.

(c) Insurance contracts

Movements in the amounts outstanding in respect of life assurance policyholder liabilities, other than outstanding claims, are set out below:

Year ended 31 December Rm	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Balance at beginning of the year	141,756	(810)	140,946	157,151	(563)	156,588
Income						
Premium income	30,979	(2,297)	28,682	29,354	(1,804)	27,550
Investment income	14,901	-	14,901	5,786	-	5,786
Other income	(296)	6	(290)	-	-	-
Expenses						
Claims and policy benefits	(31,343)	1,716	(29,627)	(35,253)	1,476	(33,777)
Operating expenses	(9,128)	-	(9,128)	(9,221)	-	(9,221)
Disposal of interests in subsidiaries	(92)	-	(92)	-	-	-
Currency translation (gain)/loss	(590)	2	(588)	2,109	(12)	2,097
Other charges and transfers	(1,984)	762	(1,222)	(181)	(39)	(220)
Taxation	(408)	-	(408)	(134)	-	(134)
Transfer to operating profit	(4,749)	(1,032)	(5,781)	(5,883)	132	(5,751)
Transfer to liabilities held for sale and distribution	-	-	-	(1,972)	-	(1,972)
Balance at end of the year	139,046	(1,653)	137,393	141,756	(810)	140,946

(d) Unit-linked investment contracts and similar contracts, and other investment contracts

At 31 December Rm	2019	2018
Balance at beginning of the year	287 774	288 164
Contributions received	38 795	41 603
Maturities	(1 499)	(651)
Withdrawals and surrenders	(36 650)	(36 557)
Disposal of interests in subsidiaries	-	-
Fair value movements	29 756	(5 856)
Foreign exchange and other movements	(4,105)	6,441
Transfer to liabilities held for sale and distribution	-	(5,370)
Balance at end of the year	314,071	287,774

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

G: Analysis of Financial Assets and Liabilities

G2: Insurance and investment contracts

(e) Discretionary participating investment contracts

Discretionary participating investment contracts relate to the continuing businesses only. None of the businesses classified as held for sale and distribution have issued any discretionary participating investment contracts.

Year ended 31 December	2019	2018
Rm		
Balance at beginning of the year	188,355	193,425
Income		
Premium income	31,567	32,731
Investment and other income	22,583	6,157
Other income	72	104
Expenses		
Claims and policy benefits	(32,900)	(28,672)
Operating expenses	(1,531)	(1,308)
Other charges and transfers	106	(238)
Taxation	(204)	(63)
Currency translation gain	(8,197)	(12,540)
Transfer to operating profit	(1,368)	(1,241)
Balance at end of the year	198,483	188,355

(f) Contractual maturity analysis

The following table shows a maturity analysis of liability cash flows based on contractual maturity dates for investment contract liabilities and discretionary participating financial instruments, and expected claim dates for insurance contracts. Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies. Although these liabilities are payable on demand, and are therefore included in the contractual maturity analysis as due in less than three months, and more than three months less than one year, the Group does not expect all these amounts to be paid out within one year of the reporting date.

The undiscounted cash flows of discretionary participating investment contracts only include amounts vested or to be vested, while their carrying amount include reserves that are payable at the discretion of the Group.

The Group acknowledges that for Property and Casualty the unearned premium provision, which will be recognised as earned premium in the future, will most likely not lead to claim cash outflows equal to this provision. The Group has estimated the potential claim outflows that may be associated with this unearned premium.

At 31 December 2019	Undiscounted cash flows					Total
	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	
Rm						
Life assurance policyholder liabilities						
Total life insurance contracts	141,156	9,826	18,691	96,964	317,475	442,956
Life insurance contract liabilities	139,046	7,716	18,691	96,964	317,475	440,846
Outstanding claims	2,110	2,110	–	–	–	2,110
Investment contract liabilities	512,554	508,417	449	452	2,695	512,013
Unit-linked investment contracts and similar contracts	312,984	313,460	–	–	–	313,460
Other investment contracts	1,087	1,188	284	452	65	1,989
Investment contracts with discretionary participating features	198,483	193,769	165	–	2,630	196,564
Total life assurance policyholder liabilities	653,710	518,243	19,140	97,416	320,170	954,969
Property & Casualty liabilities						
Claims incurred but not reported	1,382	719	409	240	28	1,396
Unearned premiums	2,885	1,009	995	233	462	2,699
Outstanding claims	4,593	2,353	1,399	658	86	4,496
Total Property & Casualty liabilities	8,860	4,081	2,803	1,131	576	8,591
Total policyholder liabilities	662,570	522,324	21,943	98,547	320,746	963,560

At 31 December 2018	Undiscounted cash flows					Total
	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	
Rm						
Life assurance policyholder liabilities						
Total life insurance contracts	143,926	10,720	19,372	102,448	327,658	460,198
Life insurance contract liabilities	141,756	8,550	19,372	102,448	327,658	458,028
Outstanding claims	2,170	2,170	–	–	–	2,170
Investment contract liabilities	476,129	473,633	278	825	2,617	477,353
Unit-linked investment contracts and similar contracts	286,521	286,525	–	–	–	286,525
Other investment contracts	1,253	1,316	278	825	54	2,473
Discretionary participating investment contracts	188,355	185,792	–	–	2,563	188,355
Total life assurance policyholder liabilities	620,055	484,353	19,650	103,273	330,275	937,551
Property & Casualty liabilities						
Claims incurred but not reported	1,255	575	471	247	11	1,304
Unearned premiums	2,870	650	1,630	543	47	2,870
Outstanding claims	4,974	2,334	1,573	1,024	114	5,045
Total Property & Casualty liabilities	9,099	3,559	3,674	1,814	172	9,219
Total policyholder liabilities	629,154	487,912	23,324	105,087	330,447	946,770

(g) Exposure and management of risk arising from insurance contracts

The Group assumes liability risk, sometimes referred to as insurance risk, by issuing both life and general insurance contracts under which the Group agrees to compensate the policyholder or beneficiary if a specified uncertain future event affecting the policyholder occurs. This risk includes mortality and morbidity risk for life insurance contracts, as well as non-life risk from events such as fire or accident arising under general insurance contracts. As such, the Group is exposed to the uncertainty surrounding the timing and severity of such claims.

The principal risk is that the frequency and severity of claims is greater than expected and that the Group does not charge premiums appropriate for the risk accepted. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Another key risk is that the return on the portfolio of assets held by the Group is not sufficient to cover the claims made on the insurance contracts.

The Group's risk philosophy is therefore to hold capital where the risks lie and the Group only takes on risks that we can understand, price appropriately and have the skills to monitor and manage.

Risk management objectives and policies for mitigating insurance risk

The group manages insurance risk through the following mechanisms:

- An agreed risk preference for all risk types, including those relating to insurance.
- The diversification of business over several classes of insurance and large numbers of uncorrelated individual risks, by which the group seeks to reduce variability in loss experience.
- The maintenance and use of management information systems, which provide current data on the risks to which the business is exposed and the quantification of such risks.
- Actuarial models, which use the above information to calculate premiums and monitor decrements and claims patterns. Past experience and statistical methods are used.
- Guidelines for concluding insurance contracts and assuming insurance risks. These include underwriting principles and product pricing procedures.
- Reinsurance, which is used to limit the group's exposure to large single claims and catastrophes. When selecting a reinsurer, consideration is given to those companies that provide high security using rating information from both public and private sources.
- The mix of assets, which is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored to ensure that there are sufficient interest bearing assets to match the guaranteed portion of liabilities. Hedging instruments are used at times to limit exposure to equity market and interest rate movements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

G: Analysis of Financial Assets and Liabilities

G2: Insurance and investment contracts

Management of insurance risks

The following table summarises the variety of insurance risks to which the Group is exposed, and the methods by which it seeks to mitigate these risks.

Risk type	Nature of risk	Risk management
Liability – mortality	Misalignment of policyholders to the appropriate pricing basis or impact of anti-selection or random fluctuation in deaths, resulting in a loss.	Experience is closely monitored. Mortality rates can be reset at the end of the guarantee term. Underwriting limits, health requirements, spread of risks and training of underwriters and reinsurance all mitigate the risk.
Liability – morbidity	Misalignment of policyholders to the appropriate pricing basis or impact of anti-selection or random fluctuation in disability/critical illness, resulting in a loss.	Experience is closely monitored. Morbidity rates can be reset at the end of the guarantee term. Underwriting limits, health requirements, spread of risks and training of underwriters all mitigate the risk.
Liability – longevity	Possible increase in annuity costs due to policyholders living longer.	For non-profit annuities, improvement to longevity is allowed for in pricing and valuation. Experience is closely monitored. For with-profit annuity business, the longevity risk is carried by policyholders and any mortality profit or loss is reflected in bonuses declared.
Liability – mortality catastrophe	Natural and non-natural disasters could result in increased mortality risk and payouts on policies.	Catastrophe excess of loss re-insurance treaty covers claims from one incident occurring within a specified period between a range of specified limits.
Liability – morbidity catastrophe	Natural and non-natural disasters could result in increased morbidity risk and payouts on policies.	Catastrophe excess of loss re-insurance treaty covers claims from one incident occurring within a specified period between a range of specified limits.
Market – yield curve movement	Lower swap curves and higher volatilities cause investment guarantee reserves to increase.	A discretionary margin is added to the value of guarantees, determined on a market consistent stochastic basis and included in current reserves. Hedging is largely in place for most products. Fewer and lower guarantees are typically provided on new business.
Market – asset price movement	Unfavourable movements in asset prices may result in asset values being less than guaranteed policy values, particularly on smooth bonus business. (this product delivers stable, or 'smooth' returns over time, the smoothing approach delivers investment returns in the form of annual bonuses).	An investment guarantee reserve has been set up to mitigate the risk of poor market performance relative to investment guarantees.

Risk type	Nature of risk	Risk management
Tax	<p>Tax risk is the risk that the projected taxation basis for basic life assurance business is incorrect, resulting in contracts being incorrectly priced.</p> <p>Tax risk also represents potential changes in the interpretation or application of prevailing tax legislation applicable to either policyholders or shareholders, resulting in higher taxes reducing profitability or increasing shareholder tax burdens.</p>	The taxation position of the operations is projected annually and tax changes will result in changes to new business pricing models as part of the annual control cycle. High risk issues and emerging trends are reported internally on a quarterly basis.
Policy holder behaviour	<p>The risk that business performance will be below projections as a result of negative variances in new business volumes and margins, and lapse, rebate and expense experience.</p> <p>A natural consequence of doing business, which is proportional to the size of our business, is that it will grow as the businesses grow. These arise as a result of new products and new business.</p>	<p>Good business practices and disciplines. When selling new business, the Group will only sell products that meet its customers' needs and which they can afford, which then has a better chance of staying on books (this benefits both the customer and the Group).</p> <p>The Group offers innovative products to suit different clients and needs, enabling it to find opportunities even in challenging market conditions.</p> <p>In order to limit lapse risk, products are designed to limit the financial loss on surrender, subject to 'Treating Customers Fairly' principles.</p> <p>Expense risk is limited through the quarterly monitoring of budgets and forecasts.</p>
Expenses	Expense risk is the risk that actual expenses and expense inflation differ from expected levels. Higher expenses and expense inflation may result in emerging profit falling below the Group's profit objectives.	<p>Expense levels are monitored quarterly against budgets and forecasts. An activity-based costing process is used to allocate costs relating to processes and activities to individual product lines.</p> <p>Some products' structures include variable maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels. This review may result in changes in charge levels, subject to Treating Customers Fairly principles.</p>
Lapse risk	Lapse risk arises where policies lapse before initial costs are recouped, or where lapse experience differs from pricing assumptions.	Product design also allows for surrender penalties on early surrender with certain products. Experience is closely monitored. Premium rates can be reset at the end of the guarantee term. From 2018 Old Mutual Rewards benefits offered to our customers also contribute towards encouraging persistency.
Mass lapse risk	Mass lapse risk is the risk that the Group will not be able to continue operations after losing the policyholders due to market panic or some other external event.	The Group holds capital to guard against a mass lapse scenario. This includes an allowance for operating expenses over a one-year period.

Concentration of insurance risk

The Group manages concentration risk through various mechanisms and monitors the opportunities for mitigating actions. Such mechanisms include: underwriting principles and product pricing procedures, reinsurance and the diversification of business over several classes of insurance and large numbers of uncorrelated individual risks.

Sensitivity analysis – life assurance

Changes in key assumptions used to value insurance contracts would result in increases or decreases to the insurance contract provisions recorded, with impact on profit/(loss) and/or shareholders' equity. The effect of a change in assumption is mitigated by the offset (partial or full) to the bonus stabilisation reserve in the case of smoothed bonus products in South Africa.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

G: Analysis of Financial Assets and Liabilities

G2: Insurance and investment contracts

The tables below demonstrate the effect of a change in a key assumption to policyholder liabilities related to insurance contracts while other assumptions remain unchanged:

Year ended 31 December Rm	Change in assumption percentage	Increase in liabilities	
	2019 and 2018	2019	2018
Assumption			
Increase in mortality and morbidity rates – assurance	10	5,947	5,493
Decrease in mortality rates – annuities (longevity)	(10)	1,052	1,031
Discontinuance rates	10	238	145
Expenses (maintenance)	10	1,228	1,173
Valuation discount rate	(1)	161	131

The calculation of the Group's South African life assurance contract liabilities is sensitive to the discount rate used to value the liabilities. The methodology applied by the Group complies with South African professional actuarial guidance (SAP 104 guidance note), with the reference rate selected as the South African debt market 10-year bond yield.

It should be noted that where the assets and liabilities of a product are closely matched (e.g. non-profit annuity business) or where the impact of a lower valuation discount rate is hedged or partially hedged, the net effect has been shown since the asset movement fully or partially offsets the liability movement.

The insurance contract liabilities recorded for South African businesses are also impacted by the valuation discount rates assumed. Lowering this rate by 1% (with a corresponding reduction in the valuation inflation rate) would have no significant impact on insurance contract liabilities or profit in 2019 (2018: no impact). There continues to be no significant impact in 2019 due to management actions taken to reduce the impact of changing interest rates on operating profit. This impact is also calculated with no change to the charges paid by policyholders.

Sensitivity analysis – Property & Casualty

Gross best estimate IBNR reserve assumptions

A sensitivity analysis has been performed on some of the material assumptions made in calculating the components of the gross IBNR provision based on the data as at the end of December 2019.

IBNR reserve sensitivity analysis

The analysis was concluded for the material insurance contract types including Motor and Property (Commercial division segment only). The IBNR provision is derived by taking into account the way in which historical claims develop to their final settled cost over time. The sensitivity analysis was performed to test the effect of using more or fewer historical years to estimate the IBNR provision. These are set out in the table below.

For the Motor Commercial and Property Commercial contracts, the sensitivity analysis is performed on the weighted averages (i.e. the number historical periods to which the development pattern is based) used for the incurred claims projection. For the Motor Personal contracts the sensitivity analysis is calculated on the weighted averages used for the paid claims projection.

Rm	Increase/ (Decrease) in profit or loss
Motor commercial gross of salvages and recoveries	
Incurring claims projection – using the weighted average of the three most recent years	(4)
Incurring claims projection – using the weighted average of the four most recent years	(6)
Incurring claims projection – using the weighted average of the five most recent years	(9)
Motor personal gross of salvages and recoveries	
Incurring claims projection – using the weighted average of the four most recent years	(3)
Property commercial net of salvages and recoveries	
Incurring claims projection – using the weighted average of the three most recent years	5
Incurring claims projection – using the weighted average of the five most recent years	(3)

Assumptions

Actuarial methods are used to estimate the ultimate cost of claims and there are underlying assumptions with these methods. These include the assumption that past experience is a reasonable guide for the future development of claims. In some classes of business, where processes or systems change, adjustments are made in order to estimate the ultimate claims. Judgement is applied where needed, but the methods are reviewed by the Head of Actuarial for reasonability.

(h) Exposure and management of risk arising from insurance contracts

Guarantees and options

Some of the insurance contracts issued by the Group contain guarantees and options, the ultimate liability for which will depend significantly on the number of policyholders exercising their options and on market and investment conditions applying at that time.

Certain life assurance contracts include the payment of guaranteed values to policyholders on maturity, death, disability or survival. The published liabilities include the provision for both the intrinsic and time-value of the options and guarantees. The time-value of options and guarantees has been valued using a market-consistent stochastic asset model that is in keeping with the Advisory Practice Notes (APN) issued by the Actuarial Society of South Africa, APN 110 in particular. The options and guarantees that could have a material effect on the amount, timing and uncertainty of future cash flows are described in the following table:

Product category	Description of options and guarantees
Retail	
Death, disability, point and/or maturity guarantees	A closed block of universal life business with an underlying minimum growth rate guarantee (4.25% p.a for life and endowment business and 4.75% p.a for retirement annuity business), and smoothed bonus business with vested bonuses, applicable when calculating death, disability and maturity claims.
Guaranteed annuity options	Retirement annuities sold prior to June 1997 contain guaranteed annuity options, whereby the policyholder has an option to exchange the full retirement proceeds for a minimum level of annuity income at maturity.
Corporate	
Vested bonuses in respect of pre-retirement with-profit business	There is a material pre-retirement savings smoothed bonus portfolio. Vested bonuses affect the calculation of benefit payments when a member exits from the scheme as the face value is paid out. If, however, a scheme terminates, the lower of face and market value is paid out and the vested bonuses are not guaranteed.
Guaranteed annuity payments in respect of with-profit annuity business	There is a significant with-profit annuity portfolio. The underlying pricing interest rate is guaranteed and as such the current level of annuity payments (including past declared bonuses) cannot be reduced. If, however, a scheme terminates, the lower of the liability value on an adjusted IFRS basis and the underlying asset market value is paid out.

The following disclosures are provided in terms of APN 110 issued by the Actuarial Society.

Investment guarantee reserves have been calculated using an internal economic scenario generator (ESG) model that generates product specific economic scenarios. These scenarios comprise interest rates, inflation and fund returns. The model is calibrated to South African derivative market data (where available and reliable), according to the group's specific calibration requirements. The calibration has been performed as at 31 December 2019.

The risk-free zero coupon yield curve has been derived from mid-swap spot rates at the calibration date.

Term (years)	Annualised zero-coupon yield
1	6.8%
2	6.7%
3	6.8%
4	7.0%
5	7.2%
10	8.1%
15	8.7%
20	8.7%
25	8.5%
30	8.1%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

G: Analysis of Financial Assets and Liabilities

G2: Insurance and investment contracts

Maturity (years)	Strike	Price	Implied volatility
1	Spot	5.0%	16.9%
1	0.8 times spot	1.0%	21.4%
1	Forward	6.2%	16.2%
5	Spot	9.3%	22.2%
5	1.04 ⁵ times spot	17.0%	21.4%
5	Forward	16.0%	21.5%
20	Spot	4.2%	27.9%
20	1.04 ²⁰ times spot	17.0%	28.0%
20	Forward	23.8%	28.1%

Description of derivative contract*	Calculated price (% of spot price)
5-year put with a strike price equal to (1.04) ⁵ of spot, on an underlying index constructed as 60% FTSE/JSE Top 40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place yearly.	5.02%
20-year put option based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put option (stripped from the zero coupon yield curve), which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than this strike.	0.53%

* Note that the FTE/JSE TOP40 referred to in this section is a capital return index, whereas the ALBI is a total return index.

G3: Borrowed funds

At 31 December 2019 Rm		Mass and Foundation Cluster	Old Mutual Insure	Rest of Africa	Other Group Activities	Total
Term loans	G3(a)	7,700	–	1,981	–	9,681
Revolving credit facilities	G3(b)	750	–	936	–	1,686
Subordinated debt securities ^{1,2}	G3(c)	–	500	–	7,122	7,622
Total borrowed funds		8,450	500	2,917	7,122	18,989

1 On 11 June 2019, Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA) issued R2 billion floating rate subordinated debt instruments under the R10 billion Unsecured Subordinated Note Programme as guaranteed by Old Mutual Limited dated 23 May 2019. These instruments have a coupon rate of 3 month Johannesburg Interbank Average Rate (JIBAR) plus 155 bps, payable quarterly in arrears. The maturity date of these instruments is 11 June 2024.

2 On 27 November 2019, OMLACSA repaid a R300 million unsecured subordinated callable fixed rate note, including a final coupon of R16 million and a R700 million unsecured subordinated callable floating rate note, including a final coupon of R14 million. Both these instruments had a first call date of 27 November 2019.

At 31 December 2018 (Re-presented) ¹ Rm		Mass and Foundation Cluster	Old Mutual Insure	Rest of Africa	Other Group Activities	Total
Term loans	G3(a)	5,700	–	2,218	–	7,918
Revolving credit facilities	G3(b)	1,250	–	572	600	2,422
Subordinated debt securities	G3(c)	–	500	–	6,048	6,548
Total borrowed funds		6,950	500	2,790	6,648	16,888

1 Revolving credit facilities amounting to R172 million in the Rest of Africa segment were reclassified from term loans into recovery credit facility.

G3: Borrowed funds

Maturity analysis

The table below provides the maturity profile of the anticipated future cash flows, based on contractual maturity dates for borrowed funds, including interest. It is presented on an undiscounted basis, and will therefore differ from both the carrying value and fair value of borrowed funds:

At 31 December Rm	2019	2018
Less than 1 year	4,859	4,231
Greater than 1 year and less than 5 years	14,254	10,451
Greater than 5 years	2,583	2,650
Total	21,696	17,332

Analysis of borrowed funds

(a) Term loans

At 31 December Rm	Maturity date	2019	2018
Floating rate loans			
KES50 million at CBR ²	Repaid	–	5
KES300 million at CBR ²	Repaid	–	42
KES400 million at CBR ²	Repaid	–	57
KES250 million at CBR ²	Repaid	–	35
R1,500 million at JIBAR + 2.75%	July 2020	1,500	1,500
KES750 million at CBR ² + 2.50%	August 2020	15	39
\$10 million 3 months LIBOR + 6.75%	October 2020	193	98
\$15 million 3 months LIBOR + 6.75%	March 2021	108	183
R2,200 million at JIBAR + 2.37%	August 2021	2,200	2,200
\$31 million at 3 month LIBOR + 3.50%	September 2021	434	445
\$25 million at LIBOR + 6.50%	September 2021	363	369
KES2200 million at CBR ² + 1.50%	September 2021	310	–
R2,000 million at JIBAR + 2.34%	October 2021	2,000	2,000
R2,000 million at JIBAR + 2.34%	April 2022	2,000	–
KES900 million rate at GOK ¹	November 2022	62	85
MWK5700 million at 3 month Treasury Bill + 3.50%	Repaid	–	89
MKW4700 million at Lombard + 1.1%	September 2023	86	–
Fixed rate loans			
KES101 million at 11.25%	Repaid	–	14
KES2,000 million at 13.00%	Repaid	–	297
KES412 million at 11.50%	May 2020	57	58
KES121 million at 11.25%	July 2020	17	17
KES80 million at 12.00%	July 2020	11	11
KES1,183 million at 9.20%	August 2020	34	67
KES200 million at 12.00%	March 2021	28	–
KES200 million at 11.50%	May 2021	28	–
KES200 million at 5.00%	July 2022	16	22
\$20 million at 8.75%	August 2022	32	41
\$5 million at 13.19%	September 2022	22	31
\$4 million at 6.50%	June 2023	33	43
\$4 million at 6.50%	June 2023	33	43
\$6 million at 6.50%	June 2023	34	43
\$10 million at 12.19%	December 2023	65	84
Total term loans		9,681	7,918

1 Government of Kenya.

2 Central Bank Rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

G: Analysis of Financial Assets and Liabilities

G3: Borrowed funds

(b) Revolving credit facilities

At 31 December Rm	Maturity date	2019	2018
KES1,000 million at CBR ¹	May 2021	138	141
KES400 million at CBR ¹ + 2.00%	April 2020	55	–
KES400 million at CBR ¹ + 2.00%	June 2021	55	–
KES200 million at CBR ¹ + 2.00%	June 2021	28	–
KES250 million at CBR ¹	August 2021	19	31
KES87 million at CBR ¹ + 2.50%	February 2020	3	–
KES100 million at CBR ¹ + 2.50%	April 2020	7	–
KES300 million at CBR ¹ + 2.50%	August 2021	31	–
R3,125 million facility at 3 month JIBAR + 1.60%	Repaid	–	600
R2,200 million facility at 3 month JIBAR + 2.45%	April 2022	750	1,250
N\$650 million at prime overdraft rate less 1.00%	November 2020	600	400
Total revolving credit facilities		1,686	2,422

¹ Central Bank Rate.

The Group has access to a R2,200 million revolving credit facility which matures in April 2022. At 31 December 2019, R750 million of this facility was drawn (2018: R1,250 million).

The Group has access to a R3,125 million revolving credit facility, which was entered into during 2019 and matures in November 2022. At 31 December 2019, this facility was undrawn.

The Group has access to a R875 million revolving credit facility, which was entered into during 2019 and matures in December 2022. At 31 December 2019, this facility was undrawn.

The Group has access to a N\$200 million revolving credit facility, which was entered into during 2019 and matures in December 2022. At 31 December 2019, this facility was undrawn.

The Group has access to a KES2,097 million revolving credit facility, which was entered into during 2019 and matures in December 2022. At 31 December 2019, this facility was undrawn.

The Group has access to a \$51 million revolving credit facility, which was entered into during 2019 and matures in December 2022. At 31 December 2019, this facility was undrawn.

The Group has access to a revolving credit facility from Standbic Bank Kenya Limited of KES2000 million. At 31 December 2019, this facility was fully drawn (2018: Fully drawn).

The Group has access to a revolving credit facility from Absa Bank Kenya Plc of KES737 million. At 31 December 2019, KES436 million was drawn (2018: KES337 drawn).

The Group has access to an unsecured revolving credit facility from Standard Bank Namibia Limited of N\$600 million. At 31 December 2019, N\$600 million was drawn (2018: N\$400).

Certain revolving credit facility arrangements may include guarantees by other subsidiary companies which, in the case of non-performance by the borrower, may limit the amount of distribution the guarantor declares to its parent.

(c) Subordinated debt securities

At 31 December Rm	Tier	Maturity date	2019	2018
Non-banking				
R300 million at 9.26%	Tier 2	Repaid	–	305
R700 million at 3 month JIBAR + 2.20%	Tier 2	Repaid	–	706
R537 million at 3 month JIBAR + 2.30%	Tier 2	March 2025	539	542
R425 million at 9.76%	Tier 2	March 2025	426	429
R1,288 million at 3 month JIBAR + 2.25%	Tier 2	September 2025	1,300	1,299
R409 million at 10.32%	Tier 2	March 2027	420	411
R568 million at 10.90%	Tier 2	September 2027	596	579
R1,150 million at 10.96%	Tier 2	March 2030	1,187	1,146
R623 million at 11.35%	Tier 2	September 2030	652	631
R2000 million at 3 month Jibar + 1.55%	Tier 2	June 2024	2,002	–
R500 million at 3 Month JIBAR + 2.09% until Nov 2022 and 3 month JIBAR + 3.14% until Nov 2027	Tier 2	November 2027	500	500
Total subordinated debt securities			7,622	6,548

Analysis of borrowed funds

(d) Reconciliation of borrowed funds arising from financing activities

Year ended 31 December Rm	2019	2018
Balance at beginning of the year	6,548	14,214
Changes from financing cash flows	1,000	(7,968)
Proceeds from issue of new borrowed funds	2,000	–
Redemption of Borrowed funds	(1,000)	(7,968)
Non-cash changes	74	302
Fair value changes	74	(410)
Effect of changes in foreign exchange rates	–	445
Other	–	267
Balance at end of the year	7,622	6,548

Breaches of covenants

As at 31 December 2019, the financial covenants on 3 existing loans were in breach. The funding was raised to support operations in the Rest of Africa segment.

The loans in breach total R153 million (US\$ 11 million) and the Group is still in negotiation with the lenders to either amend the breached covenants or to provide formal waivers. The lenders of these breached loans have the right to call the outstanding amounts at any time. At 31 December 2019, none of these breached loans have been called on.

The breaches of the covenants by the individual businesses do not impact the Group's ability to obtain additional funding.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

G: Analysis of Financial Assets and Liabilities

G4: Amounts owed to bank depositors

In the banking businesses, the Group receives cash from bank depositors. The depositors receive interest on the amounts owed depending on the value of the amount borrowed and the terms of the deposit.

The table below provides the maturity profile of the anticipated future cash flows, based on contractual maturity dates for amounts owed to bank depositors, including interest. It is presented on an undiscounted basis, and will therefore, differ from the carrying amount of amounts owed to bank depositors:

At 31 December 2019 Rm	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
Current accounts	148	148	–	–	–	148
Savings deposits	467	48	–	–	419	467
Other deposits and loan accounts	2,348	1,161	1,230	15	–	2,406
Negotiable certificates of deposit	1,945	1,782	205	101	3	2,091
Amounts owed to bank depositors	4,908	3,139	1,435	116	422	5,112

At 31 December 2018 Rm	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
Savings deposits	2,674	1,351	709	5	610	2,675
Negotiable certificates of deposit	4,539	4,345	249	271	468	5,333
Amounts owed to bank depositors	7,213	5,696	958	276	1,078	8,008

H: Non-Financial Assets and Liabilities

H1: Goodwill and other intangible assets

Goodwill arises on the acquisition of a business and represents the premium of the amount paid over the fair value of identifiable assets and liabilities. Goodwill is not amortised but is subject to annual impairment reviews. Other intangible assets include those assets which were initially recognised on a business combination and software development costs related to amounts recognised for in-house systems development.

(a) Goodwill and goodwill impairment

Goodwill arising on the acquisition of a subsidiary undertaking is recognised as an asset at the date that control is achieved (the acquisition date). Goodwill is measured as the excess of, the aggregate of (i) the consideration transferred, (ii) the amount of any non-controlling interest in the acquiree, and (iii) if the business combination is achieved in stages, the acquisition date fair value of the acquirers previously held equity interest, over the net of the acquisition amounts of the identifiable assets acquired and the liabilities assumed. If the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any), this excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least once annually. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On loss of control of a subsidiary undertaking, any attributable goodwill is included in the determination of any profit or loss on disposal. On disposal of a business, where goodwill on acquisition is allocated to the entire cash-generating unit (CGU), goodwill is allocated to the disposal on a relative basis.

Goodwill is allocated to one or more CGUs, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

(b) Other intangible assets acquired as part of a business combination

Contractual banking and asset management customer relationships, relationships with distribution channels and similar intangible assets, acquired as a part of a business combination, are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships acquired at the date of acquisition.

Brands and similar items acquired as part of a business combination are capitalised at their fair value based on a 'relief from royalty' valuation methodology.

Subsequent to initial recognition such acquired intangible assets, if not categorised as infinite life, are amortised on a straight-line basis over their estimated useful lives as set out below:

Distribution channels	10 years
Customer relationships	10 years
Brands	15 – 20 years

The estimated useful life is re-evaluated annually.

Other intangible assets acquired in a business combination are impaired if the carrying value is greater than the net recoverable amount.

(c) Internally developed software

Internally developed software (software) is amortised over its estimated useful life, where applicable. Such assets are stated at cost less accumulated amortisation and impairment losses. Software is recognised in the consolidated statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Group and its cost can be measured reliably.

Costs incurred in the research phase are expensed in profit or loss whereas costs incurred in the development phase are capitalised when the requirements of IAS 38 relating to the recognition of internally generated assets have been met. The main criteria being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the relevant software, which range between two and ten years, depending on the nature and use of the software. This excludes software that has not been brought into use yet.

(d) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

H: Non-Financial Assets and Liabilities

H1: Goodwill and other intangible assets

(e) Analysis of goodwill and other intangible assets

Rm	Goodwill	Present value of acquired in-force business	Software development costs	Other intangible assets	Total
Cost					
Balance at 1 January 2018	7,015	256	3,181	1,663	12,115
Acquisitions through business combinations	265	–	–	–	265
Additions	–	–	850	9	859
Disposals or retirements	–	–	(80)	(4)	(84)
Foreign exchange and other movements	545	–	(74)	50	521
Transfer to assets held for sale and distribution	(1,258)	–	(198)	(294)	(1,750)
Balance at 31 December 2018	6,567	256	3,679	1,424	11,926
Purchase price adjustments	(50)	–	–	–	(50)
Additions	–	–	1,019	20	1,039
Disposals or retirements	–	–	(15)	(1)	(16)
Foreign exchange and other movements	(66)	–	(22)	(4)	(92)
Balance at 31 December 2019	6,451	256	4,661	1,439	12,807
Amortisation and impairment losses					
Balance at 1 January 2018	2,567	256	1,484	1,155	5,462
Amortisation charge for the year	–	–	190	41	231
Impairment losses	629	–	52	172	853
Disposals or retirements	–	–	(49)	(3)	(52)
Foreign exchange and other movements	426	–	(203)	91	314
Transfer to assets held for sale and distribution	(276)	–	(123)	(314)	(713)
Balance at 31 December 2018	3,346	256	1,351	1,142	6,095
Amortisation charge for the year	–	–	200	43	243
Impairment losses	131	–	200	–	331
Disposals or retirements	–	–	(13)	–	(13)
Foreign exchange and other movements	(65)	–	(56)	(4)	(125)
Balance at 31 December 2019	3,412	256	1,682	1,181	6,531
Net carrying value at:					
31 December 2018	3,221	–	2,328	282	5,831
31 December 2019	3,039	–	2,979	258	6,276

The majority of the software development costs (R2 billion), comprises the capitalised costs associated with the multi year information technology refresh. These assets will come into use in 2020, aligned with the national roll out of OM Protect, which is a key proposition delivered as part of this multi year programme.

The remaining useful lives of other intangible assets at 31 December 2019, ranges between 1 and 3 years.

(f) Allocation of goodwill to cash generating units

The carrying amount of goodwill relates to the following cash generating units (CGUs):

At 31 December Rm	2019	2018
Old Mutual Namibia	59	59
Old Mutual Insure	70	70
Old Mutual Finance	1,888	1,888
Old Mutual Real Estate Holding Company	198	353
Wealth and Investments	824	851
Goodwill, net of impairment losses	3,039	3,221

Critical accounting estimates and judgements – Goodwill and intangible assets

(h) Annual impairment testing of goodwill

In accordance with the requirements of IAS 36 'Impairment of Assets', goodwill is tested annually for impairment for each Cash Generating Unit (CGU), by comparing the carrying amount of each CGU to its recoverable amount, being the higher of that CGU's value in use or fair value less costs to sell. The appropriateness of the CGUs is evaluated on an annual basis. An impairment charge is recognised when the recoverable amount is less than the carrying value.

Determination of Cash Generating Units

During the 31 December 2018 year end, it was concluded that the CGU's for impairment testing should be the regional view for the East Africa business and individual countries for South African and Namibian businesses, with the South African CGU further allocated into CGU's.

At 31 December 2019, based on the Group's operating model it was concluded that the basis of CGU's continues to remain appropriate. The South African CGU is further allocated into CGU's being Old Mutual Finance, Old Mutual Real Estate Holding Company (OMREHC), Wealth and Investments and Old Mutual Insure. In the Wealth and Investments CGU, goodwill impairment testing has been performed at the same level that the goodwill arose in Old Mutual Investment Group, namely on the acquisitions of African Infrastructure Investment Managers (AIIM), Futuregrowth Asset Management and Marriott Asset Management; and for Old Mutual Wealth. This is consistent with the way that management monitors these goodwill balances.

Value in Use model and key assumptions used

In the performance of goodwill impairment testing, the Group's CGU's mostly used discounted cash flow models, which incorporated planned business performance and a risk-adjusted discounted rate reflecting cost of equity as appropriate for the CGU.

For the most material CGU within the Group, a weighted valuation was performed incorporating discounted cash flows, price to earnings and price to book ratio valuations. The following key assumptions were used in the valuation for the year ended 31 December 2019:

- For discounted cash flow valuation, a risk adjusted long term discount rate of 16.74%, cash flows in year 1 to 3 of 100% of the planned business performance, and a terminal growth rate of 9%
- For price earnings and price book ratio valuation, a size discount of 20%, control premium of 20.9% and a liquidity discount of 6.8%

Impairment losses recognised during the year ended 31 December 2019

During 2019, goodwill impairment charges totalling R131million have been recognised. R104 million of the impairment relates to property companies held by OMREHC, and the remaining R27 million impairment charge was recognised relating to property management companies in the Wealth and Investments segment.

The key assumptions used in the OMREHC impairment test included a risk adjusted long term discount rate of 12.6%, cash flows in year 1 to 5 of 100% of the planned business performance and terminal growth rate of 4.6%.

Impairment losses recognised during the year ended 31 December 2018

An impairment charge of R629 million was recognised for the year ended 31 December 2018 for the Rest of Africa segment. At 31 December 2018, there was no goodwill attributable to East Africa. This impairment was reflective of the challenging business environment in East Africa. The impairment of goodwill was allocated to equity holders of the parent (R419 million) and non-controlling interests (R210 million).

Sensitivities and headroom analysis

The aggregated results of the goodwill testing indicated total headroom of R30,646 million at 31 December 2019. Sensitivity tests were performed on inputs and found that a 1% increase in the discount rate would decrease headroom by R6,269 million and a 10% decrease in the cash flows assumed would decrease headroom by R5,355 million.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

H: Non-Financial Assets and Liabilities

H2: Fixed assets

(a): Property, plant and equipment

Buildings that are owner-occupied are recorded at fair value. Owner-occupied properties are valued as at 31 December each year by internal professional valuers and external valuations are obtained once every three years. Fair value is determined by reference to market-based evidence. For each business, the valuation methodology adopted is dependent upon the nature of the property. Income generating assets are valued using discounted cash flows and vacant land and property are valued according to sales of comparable properties.

Increases or decreases in the carrying amount are taken to other comprehensive income and presented in a revaluation reserve in equity. To the extent that increases reverse a revaluation decrease previously recognised in the income statement, or a decrease that exceeds the revaluation surplus, then the excess is recognised in the income statement. The revaluation reserve will be released in equity when the asset is sold.

The Group assesses and adjusts (if required) the useful life, residual value and depreciation method for property, plant and equipment on an annual basis.

Plant and equipment, principally computer equipment, motor vehicles, fixtures and fittings is stated at cost less accumulated depreciation and impairment losses. The maximum estimated useful life ranges from three to ten years.

Category	Valuation Model	Measurement
Land	Revaluation model	Land is stated at revalued amounts and is not depreciated.
Buildings	Revaluation model	Stated at revalued amounts. Depreciated over a period of 50 years using the straight-line method. Revaluation gains and losses on owner occupied property are recognised in the consolidated statement of comprehensive income. On revaluation any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the property concerned and the net amount restated to the revalued amount.
Leased Assets	Revaluation model	The Lease Term is defined as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both: Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option. Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Leases with a remaining lease term of 12 months or less that qualify as low-value leases are excluded from the calculation of the lease liability.

Property, plant and equipment owned by the Group

The following table analyses land, buildings, equipment and buildings leased.

Rm	Land	Buildings	Plant and equipment	Total	Leased Buildings	Total
Gross carrying amount						
Balance at 1 January 2018	742	6,441	3,997	11,180	–	11,180
Additions	18	351	744	1,113	–	1,113
Increase arising from revaluation	24	24	–	48	–	48
Transfer from investment property	10	86	–	96	–	96
Disposals	(16)	(74)	(221)	(311)	–	(311)
Foreign exchange and other movements	(80)	(149)	(247)	(476)	–	(476)
Transfer to assets held for sale and distribution	(186)	(335)	(83)	(604)	–	(604)
Balance at 31 December 2018	512	6,344	4,190	11,046	–	11,046
Impact of the adoption of IFRS 16 (Note L)	–	–	–	–	1,160	1,160
Adjusted opening balance	512	6,344	4,190	11,046	1,160	12,206
Additions	–	155	712	867	207	1,074
Increase arising from revaluation	42	473	–	515	–	515
Transfer from investment property	132	746	–	878	–	878
Reclassification to property, plant and equipment	–	(43)	(40)	(83)	–	(83)
Disposals	–	(29)	(368)	(397)	–	(397)
Foreign exchange and other movements	(57)	(172)	(65)	(294)	(5)	(299)
Balance at 31 December 2019	629	7,474	4,429	12,532	1,362	13,894
Accumulated depreciation and impairment losses						
Balance at 1 January 2018	–	(404)	(2,695)	(3,099)	–	(3,099)
Depreciation charge for the year	–	(108)	(464)	(572)	–	(572)
Disposals	–	36	115	151	–	151
Foreign exchange and other movements	–	–	132	132	–	132
Transfer to assets held for sale and distribution	–	23	60	83	–	83
Balance at 31 December 2018	–	(453)	(2,852)	(3,305)	–	(3,305)
Depreciation charge for the period	–	(118)	(503)	(621)	(404)	(1,025)
Impairments	–	–	(21)	(21)	–	(21)
Reclassification from property, plant and equipment	–	3	17	20	–	20
Disposals	–	–	243	243	–	243
Foreign exchange and other movements	–	(40)	124	84	2	86
Balance at 31 December 2019	–	(608)	(2,992)	(3,600)	(402)	(4,002)
Net carrying amount at:						
31 December 2018	512	5,891	1,338	7,741	–	7,741
31 December 2019	629	6,866	1,437	8,932	960	9,892

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

H: Non-Financial Assets and Liabilities

H2: Fixed assets

(a): Property, plant and equipment

The carrying value of owner-occupied property leased to third parties under operating leases included in the above is R100 million (2018: R234 million) and comprises land of Rnil (2018: Rnil) and buildings of R100 million (2018: R234 million).

The value of owner-occupied property pledged as security is R311 million (2018: R132 million).

For the year ended 31 December 2019, the Group made revaluation gains of R42 million on land (2018: R24 million) and R473 million (2018: R24 million) on buildings.

The carrying value that would have been recognised had the land and buildings been carried under the historic cost model would be R125 million (2018: R255 million) and R759 million (2018: R400 million) respectively.

Property, plant and equipment are classified as Level 3 in terms of the fair value hierarchy. Level 3 fair value measurements are those that include the use of significant unobservable inputs. The significant non-observable inputs used in the valuations are the expected rental values per square foot and the capitalisation rates. Details of the valuation techniques and ranges of estimates for unobservable inputs are disclosed in note H2(b).

The fair value of the owner-occupied properties valuation would increase (decrease) if the expected rental values per square foot were to be higher (lower) and the capitalisation rates were to be lower (higher).

Leased buildings

Year ended 31 December	Rm	
	2019	2018
Amounts recognised in profit or loss		
Finance expense on lease liabilities	125	
Lease expenses relating to short-term leases	48	
Lease expenses relating to low-value leases	34	
Variable lease payments not included in lease liabilities	-	
Income from sub-leasing right-of-use assets	-	
Amounts recognised in statement of cash flows		
Total cash outflow for leases in 2019	419	

The following table sets out the maturity analysis of undiscounted outstanding commitments under non-cancellable operating leases:

At 31 December	Rm	
	2019	2018
Within one year	339	42
Greater than 1 year and less than 5 years	964	282
After five years	65	205
	1,368	529

Lease renewal options

Some leases of office buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

At 31 December 2019	Lease liabilities recognised (discounted)	Potential future lease payments not included in lease liabilities
Rm		
Office buildings	1,063	18
	1,063	18

(b): Investment property

Classification

Includes real estate held to earn rentals or for capital appreciation or both. It does not include owner-occupied property. Certain investment properties are matched to policyholder liabilities.

Measurement

Investment properties are measured at fair value as determined by a registered independent valuer at least every three years, and annually by a locally qualified staff, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

For practical reasons, valuations are carried out on a cyclical basis over a 12-month period due to the large number of properties involved. In the event of a material change in market and property specific conditions between the valuation date and reporting date an internal valuation is performed and adjustments made to reflect any material changes in value.

Surpluses and deficits arising from changes in fair value and rental income are reflected as investment income in non-banking investment income or banking trading, investment and similar income in the income statement, as appropriate.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made and rentals received under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

Fair value hierarchy of the Group's properties

The fair values of the Group's investment properties are categorised into Level 3 of the fair value hierarchy. The following table reconciles the fair value measurements of Group's investment properties:

Year ended 31 December	2019	2018
Rm	Owned by the Group	Owned by the Group
Balance at beginning of the year	34,512	31,903
Additions	1,072	1,436
Additions from business combinations	1,108	3,788
Disposals	(35)	(427)
Net gain from fair value adjustments	1,357	262
Transferred to property, plant and equipment	(878)	(96)
Foreign exchange and other movements	(1,628)	(2,675)
Transfer (to)/from assets held for sale and distribution	(516)	321
Balance at end of the year	34,992	34,512

All of the Group's investment properties are located in Africa, Romania and Bulgaria and are principally held within the policyholder funds.

The fair value of investment property leased to third parties under long-term operating leases, with rentals payable is as follows:

Year ended 31 December	Rm	
	2019	2018
Freehold	28,557	30,638
Leasehold	6,435	3,874
	34,992	34,512

All of the Group's investment properties are located in Africa and Bulgaria and are principally held within the policyholder funds.

Amounts recognised in profit or loss for investment properties

The following table analyses the amounts recognised in profit or loss for investment properties owned, classified as right of use assets and investment properties subject to operating lease:

Year ended 31 December	Rm	
	2019	2018
Rental income from investment property	3,020	3,102
Direct operating expense arising from investment property that generate rental income	(591)	(708)

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For the year ended 31 December 2019

H: Non-Financial Assets and Liabilities

H2: Fixed assets

(c): Fair value hierarchy of the Group's property

The fair value of the Group's properties is categorised into Level 3 of the fair value hierarchy.

The table below sets out information about significant unobservable inputs used at year end in measuring investment and owner occupied properties categorised at level 3:

Type of property	Valuation approach	Key unobservable inputs	Range of estimates for unobservable inputs
Income-generating assets – commercial/ retail/ industrial properties and owner occupied properties	Valued using the internationally and locally recognised Discounted Cash Flow (DCF) method. A minimum of five years (if required for specific leases, a longer period is used) of net income is discounted at a market-related rate, together with the present value of the capitalised net income in year six. Net income is determined by considering gross income, vacancies and lease obligations from which all normalised operating expenditure is deducted. The discount rate is determined with reference to the current market conditions and is constantly monitored by reference to comparable market transactions.	Valuation capitalisation and discount rates are based on industry guidelines predominantly from South African Property Owners Association (SAPOA) and Investment Property Databank (IPD) as well as comparison to listed property funds in South Africa. For properties in Bulgaria and Romania, valuation yields and discount rates are based on industry guidelines from the Bulgarian National Statistics Institute and Association of Authorised Romanian Valuers (ANEVAR) respectively. Where market rentals are used, these are based on the valuers assumptions and information they have based on similar valuations they have done or sourced from external brokers. Vacancy rates are based on property specific data.	South African Properties: Office Capitalisation rates: 8% Discount rates: 13.5% Market rentals: R100 to R175 per m ² Vacancy rates: 0% Retail Capitalisation rates: 6.5% to 10.5% Discount rates: 12.5% to 15.5% Market rentals: R22 to R2,222 per m ² Vacancy rates: 0% to 59.5% Industrial Capitalisation rates: 8.25% to 10.5% Discount rates: 14% to 16% Market rentals: R25 to R75 per m ² Vacancy rates: 0% to 10.9% Bulgarian Properties: Office Capitalisation rates: 7.4% to 7.6% Discount rates: 8.10% to 10.10% Market rentals: EUR 139 to EUR 154 per m ² Vacancy rates: 2.75% Romanian Properties: Office Capitalisation rates: 7.0% Discount rates: 7.23% to 9.25% Market rentals: EUR 15 per m ² Vacancy rates: 2.5% East Africa Office Discount rates: 11.8% to 18.7% Market rentals: R12.43 to R490 per m ²
Land	Valued according to the existing zoning and town planning scheme at the date of valuation. However there are cases where exceptional circumstances need to be considered.	The land per m ² and bulk per m ² are based on comparable sales and zoning conditions. Discount rates are based on industry guidelines predominantly from SAPOA and IPD as well as comparison to listed property funds in South Africa.	Land Bulk per m ² (net): R262 to R2,611
Near vacant properties	Land value less the estimated cost of demolition	Recent sales of land in the area and local government valuation rolls adjusted for estimated cost of demolition.	Land value per m ² : R75 to R4,000

(d) Sensitivity analysis

Rm	2019	2018
An increase of 1% in discount rates would decrease the fair value by:	(377)	(375)
A decrease of 1% in discount rates would increase the fair value by:	393	400
An increase of 10% in market rentals per m ² would increase the fair value by:	597	299
A decrease of 10% in market rentals per m ² would decrease the fair value by:	(554)	(293)

Operating lease arrangements (with the Group as lessor)

Investment property comprises a portfolio of retail, commercial and industrial properties that are leased to third parties. These leases are classified as operating leases, because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets. Each lease has a defined lease period and financial terms. Renewal negotiations with tenants commence prior to expiry of their current lease agreement. Lease periods vary and are dependent on the tenant and property type. No contingent rents are charged.

At 31 December Rm	2019	2018
Total future minimum lease receivables under operating leases		
Within one year	3,505	2,104
Greater than 1 year and less than 5 years	4,695	4,287
After five years	1,561	1,582
	9,761	7,973

H3: Deferred acquisition costs

Deferred acquisition costs relate to costs that the Group incurred to obtain new business. These acquisition costs are capitalised in the statement of financial position and are amortised in profit or loss over the life of the contracts.

The following table analyses the movements in deferred acquisition costs relating to insurance, investment and asset management contracts.

Year ended 31 December Rm	Insurance contracts	Investment contracts	Asset management	Total
Balance at 1 January 2018	556	1,278	1,252	3,086
Impact of the adoption of IFRS 15	–	–	(848)	(848)
Restated opening balance	556	1,278	404	2,238
New business	83	338	–	421
Amortisation	(24)	(386)	(3)	(413)
Foreign exchange and other movements	39	67	13	119
Transfer to assets held for sale and distribution	(320)	–	(120)	(440)
Balance at 31 December 2018	334	1,297	294	1,925
New business	18	356	19	393
Amortisation	(4)	(339)	(36)	(379)
Restatements due to hyperinflation	6	–	–	6
Foreign exchange and other movements	5	28	–	33
Balance at 31 December 2019	359	1,342	277	1,978

Based on the maturity profile of the above assets, R309 million (2018: R413 million) is recoverable within 12 months from the reporting date. R1,669 million (2018: R1,512 million) as non-current.

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For the year ended 31 December 2019

H: Non-Financial Assets and Liabilities

H4: Trade, other receivables and other assets

At 31 December Rm	Note	2019	2018
Debtors arising from direct insurance operations			
Amounts owed by policyholders		2,303	2,043
Amounts owed by intermediaries		909	782
Other		686	251
		3,898	3,076
Debtors arising from reinsurance operations		1,244	1,168
Outstanding settlements		3,779	2,334
Other receivables		1,832	1,201
Accrued interest and rent		3,789	4,272
Prepayments and accrued income		662	1,043
Other assets		5,878	7,473
Total trade, other receivables and other assets		21,082	20,567

Based on the maturity profile of the above assets, R20,359 million (2018: R19,342 million) is recoverable within 12 months from the reporting date. R723 million (2018: R1,225 million) is non-current.

H5: Provisions and accruals

Year ended 31 December Rm	Compensation provisions	Restructuring provisions	Surplus property	Provision for donations	Other	Total
Balance at 31 December 2018	333	141	57	901	367	1,799
Unused amounts reversed	-	-	-	-	36	36
Charge to profit or loss	-	12	-	6	333	351
Utilised during the year	(16)	(130)	(45)	-	(337)	(528)
Transfer from other liabilities	-	-	-	-	570	570
Foreign exchange and other movements	-	1	1	-	(170)	(168)
Balance at 31 December 2019	317	24	13	907	799	2,060

Analysis of provisions and accruals

Compensation provisions at 31 December 2019 comprise:

- R152 million (2018: R159 million) relating to regulatory uncertainty and multiple causal events;
- R165 million (2018: R174 million) relates to the provision for claw-back of prescribed claims. This provision is held to allow for the probable future payment of claims that have been previously reversed. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. Estimates of this provision are reviewed annually and are adjusted as and when new circumstances arise.

Of the total client compensation provisions, R317 million (2018: R333 million) is estimated to be payable after 12 months from the reporting date.

Surplus property provisions

Surplus property provisions relate to the onerous costs of vacant properties leased by the Group of which Rnil million (2018: R57 million) is estimated to be payable after more than one year.

Restructuring provisions

The restructuring provisions relate to Old Mutual plc and Old Mutual Bermuda in respect of the redundancy costs expected to be incurred in the winding down of these operations. Old Mutual plc utilised R121 million during the year and Old Mutual Bermuda utilised R9 million. In 2019, the Old Mutual Hong Kong branch recognised a closure provision which is expected to be utilised in the next 12 months.

H5: Provisions and accruals

Provisions for donations

The provision for donations is held predominantly in respect of commitments made by the South African business to the future funding of charitable donations. The funds were made available on the closure of the Group's unclaimed shares trusts which were set up as part of the demutualisation in 1999 and closed in 2006. All of this is regarded to be payable after more than one year due to the long-term nature of the agreements in place.

Other provisions

Other provisions include long-term staff benefits, loyalty provision and amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties. These provisions are generally individually immaterial.

Where material, provisions and accruals are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments in respect of some of the provisions, particularly those in respect of litigation claims and similar actions against the Group, are uncertain and could result in adjustments to the amounts recorded. Of the total provisions shown above, R1,410 million (2018: R1,352 million) is estimated to be payable after one year.

H6: Deferred revenue

Deferred revenue relates to initial fees received for the future provision of services that the Group will render on investment management contracts. These fees are capitalised in the consolidated statement of financial position and are amortised in profit or loss over the expected life of the contracts. The table below analyses the movements in deferred revenue.

Year ended 31 December Rm	2019	2018
Balance at 1 January	472	1 378
Impact of adopting IFRS 15, net of taxation	-	(876)
Restated opening balance	472	502
Fees and commission income deferred	59	302
Amortisation	(70)	(135)
Restatements due to hyperinflation	76	-
Foreign exchange and other movements	(24)	(197)
Balance at 31 December	513	472

Based on the maturity profile of the above liabilities, R401 million (2018: R135 million) is recoverable within 12 months from the reporting date. R112 million (2018: R337 million) as non-current.

H7: Deferred tax assets and liabilities

Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the temporary differences arise.

(a) Deferred tax assets

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, where on the basis of all available evidence, it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

The movement on the deferred tax assets account is as follows:

At 31 December Rm	2019	2018
Deferred tax asset		
Tax losses carried forward	181	189
Accelerated capital allowances	13	17
Policyholder tax	1	2
Other temporary differences	1,225	886
Netted against liabilities	(265)	(156)
Total	1,155	938

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For the year ended 31 December 2019

H: Non-Financial Assets and Liabilities

H7: Deferred tax assets and liabilities

The amounts for which no deferred tax asset has been recognised comprise:

At 31 December Rm	2019		2018	
	Gross amount	Tax	Gross amount	Tax
Unrelieved tax losses				
Expiring in less than a year	191	56	255	86
Expiring in the second to fifth years inclusive	2,065	500	1,769	512
Expiring after five years	968	255	1,880	441
	3,224	811	3,904	1,039
Accelerated capital allowances	1,031	196	99	17
Other temporary differences	455	86	1,299	221
Total	4,710	1,093	5,302	1,277

(b) Deferred tax liabilities

The movement on the deferred tax liabilities account is as follows:

At 31 December Rm	2019	2018
Deferred tax liabilities		
Accelerated tax depreciation	302	258
Deferred acquisition costs	35	145
Other acquired intangibles	20	20
Capital gains tax – shareholder	219	289
Capital gains tax – policyholder	3,081	2,564
Other temporary differences	742	939
Netted against assets	(265)	(156)
Total	4,134	4,059
Reconciliation of net deferred tax liability		
At beginning of the year	(3,121)	(4,004)
Income statement charge	(114)	683
IFRS 9 and 15	–	106
Transfer to held for sale	–	(52)
Foreign exchange and other movements	323	137
Charged to other comprehensive income	(67)	9
At end of the year	(2,979)	(3,121)

H8: Trade, other payables and other liabilities

At 31 December Rm	Note	2019	2018
Amounts payable on direct insurance business			
Funds held under reinsurance business ceded		–	1
Amounts owed to policyholders		2,498	3,390
Amounts owed to intermediaries		1,549	993
Other direct insurance operation creditors		855	205
		4,902	4,589
Accounts payable on reinsurance business		340	847
Accruals and deferred income		2,344	2,704
Post-employment benefits	J1	1,660	1,691
Share-based payments – cash-settled scheme liabilities		63	155
Trade creditors		97	226
Outstanding settlements		9,480	8,197
Securities sold under agreements to repurchase		44	81
Obligations in relation to collateral holdings		1,957	1,931
Interest bearing liabilities	H8.1	9,547	9,340
Other liabilities		22,086	17,406
Total trade, other payables and other liabilities		52,520	47,167

Included in the amounts shown above are R35,262 million (2018: R36,818 million) that are regarded as current, with the remainder regarded as non-current.

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For the year ended 31 December 2019

H: Non-Financial Assets and Liabilities

H8: Trade, other payables and other liabilities

H8.1 Interest bearing liabilities

The following table provides an analysis the interest bearing liabilities included in trade, other payables and other liabilities:

Rm	Maturity Date	2019	2018
Floating rate term loans			
USD71 million drawn of a USD100 million facility at 3 month LIBOR + 3.06%	Repaid	–	1,018
EUR16 million drawn of a EUR16 million facility at 3 month EURIBOR + 2.25%	February 2021	252	263
EUR20 million drawn of a EUR20 million facility at 3 month EURIBOR + 2.35%	February 2021	315	329
GBP25 million drawn of GBP25 million facility at 3 month LIBOR + 2.40%	February 2021	466	459
R500 million drawn of a R500 million facility at 3 month JIBAR + 1.89%	April 2021	509	509
R500 million drawn of a R500 million facility at 3 month JIBAR + 1.89%	April 2021	509	509
R100 million drawn of a R500 million facility at 1 month JIBAR + 1.65%	March 2022	100	500
R1 billion drawn of a R1 billion facility at 3 month JIBAR + 1.55%	March 2022	1,000	1,000
EUR64 million drawn of EUR80 million facility at 3 month EURIBOR + 2.32%	May 2022	999	–
EUR69 million drawn of EUR69 million facility at 3 month EURIBOR + 3.30%	May 2022	1,028	1,119
GBP22 million drawn of GBP22 million facility at 3 month LIBOR + 2.60%	June 2022	399	393
EUR77 million drawn of a EUR100 million facility at 3 month EURIBOR + 2.77%	February 2023	1,204	1,258
EUR30 million drawn of EUR30 million facility at 3 month EURIBOR + 2.60%	July 2023	471	494
EUR49 million drawn of a EUR68 million facility at 3 month EURIBOR + 2.60%	October 2023	739	784
R500 million drawn of a R500 million facility at 3 month JIBAR + 1.85%	March 2024	500	500
EUR16 million drawn of EUR16 million facility at 3 month EURIBOR + 2.76%	June 2024	251	–
EUR38 million drawn of EUR38 million facility at 3 month EURIBOR + 2.25%	March 2025	597	–
Fixed rate term loans			
GBP11 million drawn at 4.29%	October 2022	208	205
Total interest bearing liabilities		9,547	9,340

H9: Share capital

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

(a) Authorised share capital

	2019 Rm	2018 Rm
At 31 December		
10,000 million (2018: 10,000 million) no par value ordinary shares	–	–

(b) Issued share capital

	2019 Rm	2018 Rm
At 31 December		
4,709 million (2018: 4,942 million) no par value ordinary shares	85	89

During the year ended 31 December 2019, the Company repurchased 233,494,706 of its issued ordinary shares on the Johannesburg Stock Exchange (JSE) as part of two separate share repurchase programmes announced on 11 March 2019 and 2 September 2019 respectively. The repurchased shares have been cancelled as issued shares and have reverted back to authorised but unissued share capital status. Refer to note A2 for more information.

Subject to the restrictions imposed by the Companies Act, 71 of 2008, the unissued shares are under the control of the Directors until the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

I: Interests in Subsidiaries, Associates and Joint Ventures

Basis of consolidation and equity accounting

	Subsidiaries	Associates	Joint Ventures
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%	Between 20% and 50%
Nature of the relationship	Entities over which the group has control as defined in IFRS 10 are consolidated.	Entities over which the group has significant influence as defined in IAS 28.	A joint arrangement in terms of which the group and the other contracting parties have joint control as defined in IFRS 11.

Critical accounting estimates and judgements – Investments in subsidiaries, associated undertakings and joint ventures

The Group has applied the following key judgements in the application of the requirements of the consolidation set of standards (IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'):

Consolidation of investment funds and securitisation vehicles

The Group acts as a fund manager to a number of investment funds. In determining whether the Group controls such a fund, it will focus on an assessment of the aggregate economic interests of the Group (comprising any carried interests and expected management fees) and the investor's rights to remove the fund manager. This general assessment is supplemented by an assessment of third-party rights in the investment funds, with regards to their practical ability to allow the Group not to control the fund. The Group assesses, on an annual basis, such interests to determine if the fund will be consolidated. The non-controlling interests in investment funds consolidated by the Group are classified as third-party interests in consolidated funds, a financial liability in the consolidated statement of financial position. These interests are classified at fair value through profit or loss and measured at fair value, which is equal to the bid value of the number of units of the investment funds' scheme not owned by the Group. Any investments held in Old Mutual Limited shares are treated as treasury shares and are eliminated as a direct decrease in the value of equity and the value of investment and securities.

The Group has sponsored certain asset-backed financing (securitisation) vehicles under its securitisation programme which are run according to pre-determined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of junior debt securities in the vehicles. It has concluded that it controls these vehicles and therefore has consolidated these asset-backed financing vehicles.

Structured entities

The Group is required to make judgements on what constitutes a structured entity. Accounting standards define a structured entity as an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an economic interest, the Group considers numerous factors. These factors may include the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee and the size of its exposure to the variability of returns of the investee. The Group has evaluated all exposures and has concluded that all investments in investment funds as well as certain securitisation vehicles and other funding vehicles represent investments in structured entities.

II: Subsidiaries

(a) Principal subsidiaries and Group enterprises

The following table lists the principal Group undertakings whose results are included in the consolidated financial statements. All shares held are ordinary shares and are held indirectly by the Company.

Name	Nature of business	Percentage holding	Country of incorporation
Old Mutual Group Holdings (SA) Limited	Holding company	100	Republic of South Africa
Faulu Microfinance Bank Limited	Lending	67	Kenya
Old Mutual Insure Limited	Property & Casualty	100	Republic of South Africa
Old Mutual (Africa) Holdings (Pty) Limited	Holding company	100	Republic of South Africa
Old Mutual (Netherlands) B.V.	Holding company	100	Netherlands
Old Mutual Emerging Markets (Pty) Limited	Holding company	100	Republic of South Africa
Old Mutual Finance RF (Pty) Ltd	Lending	75	Republic of South Africa
Old Mutual Investment Group (Pty) Limited	Asset management	100	Republic of South Africa
Old Mutual Investment Group Holdings (Pty) Limited	Holding company	100	Republic of South Africa
Old Mutual Life Assurance Company (Namibia) Limited	Life assurance	100	Namibia
Old Mutual Life Assurance Company (South Africa) Limited	Life assurance	100	Republic of South Africa
Old Mutual Zimbabwe Limited	Life assurance	75	Zimbabwe
OM Group (UK) Limited	Holding company	100	England and Wales
OM Residual UK	Holding company	100	England and Wales
UAP Holdings Limited	Holding company	67	Kenya

All the above companies have a year end of 31 December and their financial results have been incorporated and are included in the Group financial statements from the effective date that the Group controls the entity.

There are certain funds in which the Group owns more than 50% of the equity but does not consolidate these because of certain management contracts which give other parties the power to control these funds. These management contracts may include that the ability to control is delegated to a third party with no rights of removal on similar types of contractual agreements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

I: Interests in Subsidiaries, Associates and Joint Ventures

II: Subsidiaries

(b) Non-controlling interests in subsidiaries

The following table summarises the information relating to the Group's subsidiaries that have material non-controlling interests:

At 31 December 2019 Rm	Old Mutual Finance (Pty) Limited	UAP Holdings Limited ¹	Other subsidiaries	Total
Consolidated statement of financial position				
Total assets	17,006	14,553	75,867	107,426
Total liabilities	(15,428)	(11,090)	(72,593)	(99,111)
Net assets	1,578	3,463	3,274	8,315
Non-controlling interests	829	1,219	1,114	3,162
Consolidated income statement				
Total revenue	5,282	3,542	21,612	30,436
Profit before tax	732	(489)	2,302	2,545
Income tax expense	(147)	151	(140)	(136)
Profit after tax for the financial year	585	(338)	2,162	2,409
Non-controlling interests	95	(77)	251	269

At 31 December 2018 Rm	Nedbank Group Limited	Old Mutual Finance (Pty) Limited	UAP Holdings Limited ¹	Other subsidiaries	Total
Consolidated statement of financial position					
Total assets	–	18,462	8,376	89,396	116,234
Total liabilities	–	(15,179)	(5,955)	(79,632)	(100,766)
Net assets	–	3,283	2,421	9,764	15,468
Non-controlling interests	–	1,039	1,230	1,130	3,399
Consolidated income statement					
Total revenue	80,237	3,858	2,503	26,398	112,996
Profit before tax	16,761	787	(70)	3,751	21,229
Income tax (expense)/credit	(4,210)	(279)	(65)	(770)	(5,324)
Profit after tax for the financial year	12,551	508	(135)	2,981	15,905
Non-controlling interests	6,020	150	(311)	283	6,142

¹ The financial information of UAP Holdings Limited (UAP) represents the results of UAP for year ended 31 December 2019 and the consolidated statement of financial position at 31 December 2019 as consolidated by the Group. This consolidated result may vary significantly from the full year results published by UAP due to acquisition entries recognised by the Group.

During the year ended 31 December 2019, dividends of R69 million (2018: R3,166 million) were paid to non-controlling interests.

(c) Restrictions on the Group's ability to obtain funds from its subsidiaries

Statutory and regulatory restrictions in terms of the Reserve Bank of Zimbabwe controls and imposed by the Zimbabwean government to restrict the amount of funds that can be transferred out of Zimbabwe to the Group. In addition, the banking subsidiary companies are restricted by Basel regulations and prudential requirements with regard to the distributions of funds to their holding company. Regulated entities may only be permitted to remit dividends in terms of local capital requirements and/or permission being obtained from the regulator to distribute such funds.

The non-controlling interests do not have any ability to restrict the cash flows to the Group.

(d) Guarantees provided by the Group to subsidiaries

No significant guarantees have been provided by the Group during the financial year.

The Group provides financial support in certain cases where funds require seed capital and also provides liquidity funding in the case of large divestments from unit trust funds.

(e) Loss of control of subsidiaries

The Group completed the sale of the Latin American businesses on 1 April 2019. Refer to note A2 for more information.

12: Investments in associated undertakings and joint ventures

(a) Aggregate Group investment in associated undertakings and joint ventures

The following table presents the aggregate amounts for investment in associated undertakings and joint ventures at 31 December 2019:

Year ended 31 December Rm	2019	2018
Balance at beginning of the year	26,679	1,789
Additions of investment in associated undertakings and joint ventures	34	24,573
Disposal of investment in associated undertakings and joint ventures	(142)	–
Share of profit after tax	2,269	550
Share of other comprehensive losses	(216)	(154)
Impairment provision for investments in associate companies	(869)	–
Dividend income	(1,493)	(29)
Foreign exchange and other movements	(11)	(27)
Transfer to assets held for sale and distribution	–	(23)
Balance at end of the year	26,251	26,679

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I: Interests in Subsidiaries, Associates and Joint Ventures

I2: Investments in associated undertakings and joint ventures

(b) Analysis of equity accounted and fair value investments in associated undertakings and joint ventures

Of the total carrying value of associates and joint ventures, R1,233 million (2018: R1,268 million) relates to those which are measured at fair value and R25,018 million (2018: R25,411 million) relates to those which have been equity accounted. The Group's equity accounted and fair value investments in associated undertakings and joint ventures are as follows:

At 31 December 2019 Rm	Nature of activities	Percentage holding	Measurement method	Carrying amount	Group share of profit
Associated undertakings					
Listed					
Nedbank Limited ³	Banking	19.9%	Equity accounted	24,282	2,418
Individually immaterial associates					
Unlisted					
Two Rivers Lifestyle Centre ¹	Property	50%	Fair value	115	(334)
Squarestone Growth LLP ²	Property	42%	Fair value	920	121
Kabokweni Plaza Shareblock Proprietary Limited ³	Property	49%	Fair value	107	10
Richmond Park Development Company (Pty) Ltd ³	Property	38%	Fair value	54	(5)
King Air (Pty) Ltd ³	Property	50%	Fair value	64	18
Old Mint (Pty) Ltd ³	Property	50%	Fair value	70	3
Other individually immaterial associates				210	28
Total investment in associate undertakings				25,822	2,259
Joint ventures					
Unlisted					
Old Mutual-CHN Energy Life Insurance Company Ltd ^{4,5}	Life assurance	50%	Equity accounted	429	10
Total investment in joint ventures				429	10
Total investments in associates and joint ventures				26,251	2,269

1 Country of incorporation: Kenya.

2 Country of incorporation: United Kingdom.

3 Country of incorporation: Republic of South Africa.

4 Country of incorporation: China.

5 Previously known as Old Mutual Guodian Life Insurance Company Ltd.

At 31 December 2018 Rm	Nature of activities	Percentage holding	Measurement method	Carrying amount	Group share of profit
Associated undertakings					
Nedbank Limited	Banking	19.9%	Equity accounted	24,771	550
Individually immaterial associates					
Unlisted					
Two Rivers Lifestyle Centre	Property	50%	Fair value	211	39
Squarestone Growth LLP	Property	43%	Fair value	862	42
Kabokweni Plaza Shareblock Proprietary Limited	Property	49%	Fair value	96	13
Newtown Motor Dealership (Pty) Ltd	Property	50%	Fair value	96	1
Other individually immaterial associates				236	(7)
Total investments in associate undertakings				26,272	638
Joint ventures					
Unlisted					
Old Mutual-CHN Energy Life Insurance Company Ltd ¹	Life assurance	50%	Equity accounted	407	(88)
Total investments in joint ventures				407	(88)
Total investments in associates and joint ventures				26,679	550

1 Previously known as Old Mutual Guodian Life Insurance Company Ltd.

(c) Aggregate financial information of material investments in associated undertakings and joint ventures

Following the unbundling of Nedbank Group Limited (Nedbank), the Group retained a strategic interest of 19.9%. A relationship agreement between the Group and Nedbank governs the strategic relationship. The 19.9% investment in Nedbank has been accounted for in terms of the equity accounting method and has been classified as an investment in an associated undertaking. In addition, the Group has a policyholder interest in Nedbank of 1.46% classified as investments and securities at fair value through profit or loss.

During 2019, the Group completed the purchase price allocation for the retained investment in Nedbank, with the excess of the purchase price above net asset value on the date of the deemed acquisition being allocated to goodwill and brand assets. Both these intangible assets have indefinite useful lives and will not require amortisation.

As Nedbank's share price decreased towards the end of the financial year, this triggered the requirement for an impairment review of the value of our equity accounted investment. This was further supported by the market and economic conditions prevalent within South Africa. The impairment test compares the estimated recoverable amount and carrying value of the investment. The recoverable amount is the higher of its fair value less costs of disposal or its value in use.

In assessing the value in use, the Group valued the expected dividend stream from Nedbank and added a value attributable to certain of the synergies that arise in the Group as a result of the relationship agreement in place. The calculation of the value in use in accordance with IFRS is subject to significant judgement as it is based on economic estimates and macro assumptions. The value of the dividend from Nedbank was determined using a dividend discount model, with the projected dividends based on the average dividend payout ratio over the last five years and a growth rate based on Nedbank's revised medium term guidance. The total value in use was calculated as R24.3 billion. Whilst the value in use is higher than the fair value, it is lower than the carrying amount and accordingly we have recognised a reduction in the carrying value of R1.1 billion. If the terminal growth rate used in the dividend discount model increased by 0.5%, the value in use would increase to R26.6 billion. A decrease in the terminal growth rate of 0.5% would reduce the value in use to R22.4 billion.

The aggregate financial information for material investments in associated undertakings and joint ventures is as follows:

At 31 December Rm	2019 Nedbank	2018 Nedbank
Value in use market value	24,282	27,347
Statement of comprehensive income		
Revenue	56,164	54,795
Profit from continuing operations	12,810	14,135
Other comprehensive income/(loss)	(1,075)	(341)
Total comprehensive income/(loss)	11,735	13,794
Statement of financial position		
Current assets	368,470	335,706
Non-current assets	774,879	708,206
Current liabilities	(848,312)	(784,618)
Non-current liabilities	(196,588)	(168,023)
Net assets	98,449	91,271

(d) Aggregate financial information of other investments in associated undertakings and joint ventures

The aggregate financial information of other immaterial investments in associated undertakings and joint ventures is as follows:

At 31 December Rm	2019	2018
Total assets	22,557	24,573
Total liabilities	(15,821)	(17,870)
Total revenues	2,645	2,058

(e) Restriction on the Group's ability to obtain funds from its associate undertakings and joint arrangements

Statutory and regulatory restrictions in terms of the Reserve Bank of Zimbabwe controls and imposed by the Zimbabwean government to restrict the amount of funds that can be transferred out of Zimbabwe to the Group. In addition, the banking subsidiary companies are restricted by Basel regulations and prudential requirements with regard to the distributions of funds to their holding company. Regulated entities may only be permitted to remit dividends in terms of local capital requirements and/or permission being obtained from the regulator to distribute such funds.

No significant guarantees were provided by the Group to associated undertakings and joint ventures during the financial year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

I: Interests in Subsidiaries, Associates and Joint Ventures

I2: Investments in associated undertakings and joint ventures

(f) Contingent liabilities and commitments

At 31 December 2019 and 31 December 2018, the Group had no significant contingent liabilities or commitments relating to investments in associated undertakings and joint ventures.

(g) Other Group holdings

The above does not include companies whereby the Group has a holding of more than 20%, but does not have significant influence over these companies by virtue of the Group not having any direct involvement in decision making or the other owners possessing veto rights.

I3: Structured entities

(a) Group's involvement in structured entities

In structured entities' voting rights are not the predominant factor in deciding who controls the entity but rather the Group's exposure to the variability of returns from these entities. The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of decision-making rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the Group in the fund in the form of interest held and exposure to variable returns.

In most instances, the Group's decision-making authority, in its capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is exercised when decisions regarding the relevant activities of these funds are being made. For funds managed by the Group where the investors have the right to remove the Group as fund manager without cause, the fees earned by the Group, are considered to be market-related. These agreements include only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's length basis. The Group has concluded that it acts as agent on behalf of the investors in all instances.

The Group is considered to be acting as principal where the Group is the fund manager and is able to make the investment decisions on behalf of the unit holders, earn a variable fee, and there are no kick-out rights that would remove the Group as fund manager.

The Group has not provided any non-contractual support to any consolidated or unconsolidated structured entities. The Group has committed to providing certain liquidity facilities for certain securitisation vehicles.

The table below summarises the types of structured entities the Group does not consolidate, but may have an interest in:

Type of structured entity	Nature	Purpose	Interest held by the Group
• Securitisation vehicles for loans and advances	• Finance the Group's own assets through the issue of notes to investors	• Generate funding for the Group's lending activities • Fees for loan servicing • Margin through sale of assets to investors	• Investment in senior and junior notes issued by the vehicles
• Investment funds	• Manage client funds through the investment in assets	• Generate fees from managing assets on behalf of third party investors	• Investments in units issued by the fund
• Securitisation vehicles for third-party receivables	• Finance third-party receivables and are financed through loans from third-party note holders and bank borrowing	• Generate fees from arranging the structure. Interest income may be earned on the notes held by the Group	• Interest in these vehicles is through notes that are traded in the market
• Security vehicles	• Hold and realise assets as a result of the default of a client	• These entities seek to protect the collateral of the Group on the default of a loan	• Ownership interest will be in proportion of the lending. At 31 December 2019, the Group held no value in security vehicles
• Clients investment entities	• Hold client investment assets	• Generates various sources of income for the Group	• None
• Black Economic Empowerment (BEE) funding	• Fund the acquisition of shares by a BEE partner	• Generates interest on the funding provided	• Loans to BEE schemes

I3: Structured entities

The Group's holdings in investment vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles. All of the investment vehicles in the investment portfolios are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee, and is reflected in the valuation of the investment vehicles.

(b) Interest in unconsolidated structured entities

The Group invests in unconsolidated structured entities as part of its normal investment and trading activities. The Group's total interest in unconsolidated structured entities is classified as investments and securities held at fair value through profit or loss. The Group does not sponsor any of the unconsolidated structured entities. The table below provides a summary of the carrying value of the Group's interest in unconsolidated structured entities for both continuing operations and those classified as held for distribution:

At 31 December	2019	2018
Rm		
Debt securities, preference shares and debentures	638	1,235
Equity securities - unlisted	2,353	2,169
Pooled investments	130,852	109,245
Total	133,843	112,649

The Group's maximum exposure to loss with regard to the interests presented above is the carrying amount of the Group's investments. Once the Group has disposed of its shares or units in a fund, it ceases to be exposed to any risk from that fund. The Group's holdings in the above unconsolidated structured entities are largely less than 50% and as such the net asset value of these structured entities are likely to be significantly higher than their carrying value.

Pooled investments includes the following investments in unit trusts:

Fund 1

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The fund invests in government securities, listed and unlisted debt securities, listed and unlisted equity securities. As at year end the Company's interest in the fund totalled R7,929 million compared to a total fund size of R147,651 million.

Fund 2

The Fund aims to achieve the best possible investment growth for retirement savers (within the constraints of Regulation 28 of the Pension Funds Act) over the long term. The fund invests in government securities, listed debt and equity securities. As at year end the Company's interest in the fund totalled R7,324 million compared to a total fund size of R87,152 million.

Fund 3

The fund aims to grow retirement fund savings by meaningful, inflation-beating margins over the long term. The fund is managed to comply with the prudential investment limits set for South African retirement funds (Regulation 28 to the Pension Funds Act). The fund invests in government securities and equity securities. As at year end the Company's interest in the fund totalled R3,329 million compared to a total fund size of R27,258 million.

(c) Other interests in unconsolidated structured entities

The Group receives management fees and other fees in respect of its asset management businesses that manage investments in which the Group has no holding. These also represent interests in unconsolidated structured entities. As these investments are not held by the Group, the investment risk is borne by the external investors and therefore the Group's maximum exposure to loss relates to future management fees. The Group does not sponsor any of the funds or investment vehicles from which it receives fees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

J: Other notes

J1: Post-employment benefits

The Group's post retirement schemes provide for the retirement, medical and disability benefits of employees and have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The assets of these schemes are held in separate trustee administered funds. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with existing assets, are adequate to secure members' benefits over the remaining service lives of participating employees. The schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they operate.

The movement analysis of post-employment benefits presented in note J1(a) includes the information for all of the Group's pension schemes, including movements in plan assets and projected benefit obligations classified as held for sale or distribution for the year. At the end of the movement analysis, a single line item will indicate the value of the net plan assets that have been transferred to assets and liabilities held for sale or distribution.

Restriction on the ability to access individual pension fund surpluses

The Group has pension fund surpluses whose ability to access the surpluses is regulated by local laws and regulations. In all situations, the Group does not have the unilateral right to access these surpluses as the use of the surplus must be approved by the relevant governing bodies of the pension funds.

(a) Liability for defined benefit obligations

Year ended 31 December Rm	Pension plans		Other post-retirement benefit schemes ¹	
	2019	2018	2019	2018
Changes in projected benefit obligation				
Projected defined benefit obligation at beginning of the year	219	538	1,691	1,604
Current service cost	44	2	14	20
Interest cost on benefit obligation	21	20	155	157
Measurement gains arising from experience adjustments	(22)	(21)	(121)	(63)
Benefits paid	(38)	(1)	(79)	(76)
Foreign exchange and other movements	2	(319)	-	49
Projected defined benefit obligation at end of the year	226	219	1,660	1,691
Change in plan assets				
Plan assets at fair value at beginning of the year	219	218	-	2,010
Actual return on plan assets	1	2	-	-
Benefits paid	(1)	(1)	-	-
Plan assets reallocated to Investments and Securities	-	-	-	(2,010)
Foreign exchange and other movements	7	-	-	-
Plan assets at fair value at end of the year	226	219	-	-
Net defined benefit obligation	-	-	(1,660)	(1,691)
Net amount recognised in consolidated statement of financial position	-	-	(1,660)	(1,691)
Disclosed as follows:				
- Within trade, other payables and other liabilities	-	-	(1,660)	(1,691)
	-	-	(1,660)	(1,691)

¹ At 31 January 2018 Old Mutual Alternative Risk Transfer (Pty) Ltd replaced MMI as the insurer of the qualifying insurance policy. At this date MMI transferred the rights and obligations of the qualifying insurance policy and related policyholder assets to Old Mutual Alternative Risk Transfer (Pty) Ltd. At 31 December 2018 the Group accounted for the related policyholder assets as investments and securities, while disclosing the post-retirement medical aid obligation as a gross defined benefit obligation on the consolidated statement of financial position.

(b) Principal actuarial assumptions

The significant actuarial assumptions and sensitivities of the defined benefit liabilities to changes in those assumptions are set out below:

%	Pension plans		Other post-retirement benefit schemes	
	2019	2018	2019	2018
Discount rate used	9.4%	9.7%	9.3%	9.7%
Price inflation	4.5%	5.7%	4.5%	5.7%
Rate of future salary increases	6.4%	6.7%	6.4%	6.7%
Expected return on plan assets	10.2%	10.3%	9.1%	9.6%

Actuarial assumptions used in calculating the projected benefit obligation are based on mortality estimates in line with that adopted for the 92 series of mortality tables prepared by the Continuous Mortality Investigation Bureau of the Institute of Actuaries.

The effect to the Group's obligation of a 1% increase and 1% decrease in the assumed health cost trend rates would be an increase of R194 million and decrease of R172 million (2017: R209 million and decrease of R171 million) respectively.

(c) Plan asset allocation

Plan asset allocation relates to all of the Group's pension schemes is as follows:

%	Pension plans	
	2019	2018
Equity securities	54.5	58.1
Debt securities	27.2	24.7
Property	7.2	6.8
Annuities and other	11.1	10.4
	100.0	100.0

(d) Expense/(income) recognised in the consolidated income statement

Year ended 31 December Rm	Pension plans		Other post-retirement benefit schemes	
	2019	2018	2019	2018
Current service costs	-	-	14	20
Net interest (income)/cost	-	-	131	121
Other post retirement plan costs	4	32	-	1
Total (included in staff costs)	4	32	145	142

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

J: Other notes

J2: Share-based payments

(a) Share incentive schemes

The Group incentivises employees through a number of share incentive schemes. These include a short term incentive scheme, ROA phantom scheme, Long term incentive scheme and broad-based incentive schemes. These arrangements are equity settled. More information on the Group's share incentive schemes is available in the Old Mutual Limited Remuneration Report which will be released on 31 March 2020 and can be accessed on <https://www.oldmutual.com/investor-relators/reporting-centre/reports>

Short-term incentive scheme ('STI')

The STI confers rights on employees for middle management to forfeitable Old Mutual Limited shares (South Africa and Namibia) and phantom shares (Rest of Africa). Performance metrics & targets are set at the start of each financial year for the group, segment and individual performance outcomes with the group performance metrics and targets being approved by the Remuneration Committee annually. The awards vest over a three year period from the grant date with the participants having voting rights and receiving dividends throughout the period. The forfeitable shares are equity settled, while the phantom shares are cash settled.

Long-term incentive scheme ('LTI')

Annual long-term incentive awards are granted in March/April to senior management and are determined as percentages of guaranteed package differentiated per level. The awards are subject to corporate performance targets which are measured over a three year period with vesting in equal tranches in years 3, 4 and 5. Shares are awarded as forfeitable Old Mutual Limited shares (South African and Namibia) and phantom shares (Rest of Africa) with participants having voting rights and receiving dividends throughout the period. The forfeitable shares are equity settled, while the phantom shares are cash settled.

Broad-based incentive scheme

Once-off broad-based share incentive scheme were awarded in September 2018 to all permanent employees of the Group (who were in permanent employment at the time of listing on the JSE and were still in service on the date of grant), in recognition of each employee's contribution to the smooth transition to listing, and the anticipated future contribution they will make to the Group. The awards, granted under the ESOP rules, will vest in full on the second anniversary of the date of award, subject to continued employment until then, with participants receiving dividends in the normal course as and when declared and paid by Old Mutual Limited.

(b) Forfeitable/Restricted share grants

The following summarises the fair value of restricted shares granted by the Group during the year:

Instruments granted and purchased during the year		Number granted	Weighted average fair value
Shares in Old Mutual Limited (Johannesburg Stock Exchange)	2019	31,216,421	R21.45
	2018	17,568,486	R27.81
Shares in OM Residual UK Limited (Johannesburg Stock Exchange)	2019	-	-
	2018	13,381,914	R41.24
Shares in OM Residual UK Limited (London Stock Exchange)	2019	-	-
	2018	1,234,064	£2.42

The share price at measurement date was used to determine the fair value of the restricted shares. Expected dividends were not incorporated into the measurement of fair value where the holder of the restricted share is entitled to dividends throughout the vesting period.

(c) Annual bonus awards

The South Africa Plan Awards give rise to annual bonus awards. The fair value is determined by making an estimate of the level of bonus to be paid out, following the attainment of personal and company performance conditions. The vesting period for the South African annual bonus plans (other than the new joiner and newly qualified grants) has therefore been determined as 1 January in the year prior to the date of issue of the grant.

The Group anticipates awards under the South African scheme of 17,877,008 restricted shares (2018: 14,748,497). The restricted shares have been valued using a share price of R19.66 (2018: R22.40).

(d) Financial impact

Year ended 31 December Rm	2019	2018
Expense arising from equity settled share and share option plans	500	808
Expense arising from cash settled share and share option plans	7	45
	507	853
Closing balance of liability for cash settled share awards	63	155

J3: Related parties

(a) Transactions with key management personnel, remuneration and other compensation

The Company's key management personnel include all members of the Board, (both executive and non-executive directors) and prescribed officers as defined by the Companies Act. In addition, due to the influence on the planning, direction and control over the activities of the Group, all members of the Executive committee will also be included as key management personnel.

The definition of key management personnel also includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may influence, or be influenced by that person in their dealings with the Group. These may include the person's domestic partner and children, the children of the person's domestic partner, and dependents of the person or the person's domestic partner.

The Directors' Emoluments disclosures required by the Companies Act are set out in note N. Disclosures required in terms of King IV™ will be disclosed in the Old Mutual Limited Remuneration Report which will be released on 31 March 2020 and can be accessed on <https://www.oldmutual.com/investor-relations/reporting-centre/reports>.

Compensation paid to the Board of directors is aggregated below, together with the aggregate compensation paid to the Executive Committee members (Exco), as well as the number of share options and instruments held.

Year ended 31 December Rm	2019		2018	
	Number of personnel	Rm	Number of personnel	Rm
Directors' fees	14	27	16	28
Remuneration		167		324
Salaries and other benefits	16	114	15	169
Termination benefits	2	19		
Share-based payment expense	16	34	15	155
		194		352

Restricted shares	2019		2018	
	Number of personnel	Number of options/shares '000s	Number of personnel	Number of options/shares '000s
Outstanding at beginning of the year	14	9,327	13	8,592
Leavers	3	(3,097)	-	-
New appointments	3	450	1	533
Granted during the year		4,127		3,753
Lapsed during the year		(1,364)		(543)
Released during the year		(2,221)		(3,008)
Outstanding at end of the year	14	7,222	14	9,327

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

J: Other notes

J3: Related parties

	2019		2018	
	Number of personnel	Number of options/shares '000s	Number of personnel	Number of options/shares '000s
Share options				
Outstanding at beginning of the year	-	-	1	16
Leavers	-	-	-	-
New appointments	-	-	-	-
Granted during the year	-	-	-	-
Lapsed during the year	-	-	1	(6)
Exercised during the year	-	-	1	(10)
Outstanding at end of the year	-	-	1	-

Transactions with key management personnel are made on terms equivalent to those that prevail in arm's length transactions.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence at and for the year ended 31 December 2019 were as follows.

Year ended 31 December	2019		2018	
	Number of personnel	Value Rm	Number of personnel	Value Rm
Current accounts	9	1	9	2
Credit cards	3	4	5	-
Mortgages	3	11	3	9
Investments	13	69	16	136
Property & Casualty contracts				
Total premium paid during the year	8	1	10	1
Claims paid during the year	-	-	3	-
Life insurance products				
Total sum assured/value of investment at end of the year	12	86	13	129
Pensions				
Value of pension plans as at end of the year	12	116	13	93

Various members of key management personnel hold or have at various times during the year held, investments managed by asset management businesses of the Group. These include unit trusts, mutual funds and hedge funds. None of the amounts concerned are material in the context of the funds managed by the Group business concerned, and all of the investments have been made by the individuals concerned either on terms which are the same as those available to external clients generally or, where that is not the case, on the same terms as were available to employees of the business generally.

(b) Transactions and balances with other related parties

Transactions between Old Mutual Limited and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions and balances between the Company and its subsidiaries are disclosed in the separate financial statements on page 173.

Material subsidiaries of the Group are identified in note 11(a) and the Group's material investments in associated undertakings and joint ventures are identified in note 12.

Transactions between the Group and its related parties, other than key management personnel are disclosed below. All these transactions were entered into in the normal course of business.

Rm	2019	2018
Outstanding balances with associated undertakings		
Bonds, derivatives and other financial instruments due from Nedbank	2,031	(604)
Loan due to Nedbank	(622)	(457)
Deposits owing from Nedbank to Group subsidiaries	16,897	7,310
Balances owing from Nedbank to Group subsidiaries	7,810	10,932
Transactions with associated undertakings		
Dividend received from Nedbank ¹	1,433	-
Interest expense to Nedbank from Group subsidiaries	(486)	(76)
Interest income from Nedbank to Group subsidiaries	2,031	1,162
Insurance premiums received from Nedbank	157	154
Claims paid to Nedbank	(73)	(88)
Commission expense paid to Nedbank by Group subsidiaries	(28)	(27)
Management fee expense paid to Nedbank	(107)	(116)
Management fee income from Nedbank	7	19

¹ Represents dividends received on the Group's beneficial ownership in Nedbank.

(c) Changes in the status of certain directors

Thoko Mokgosi-Mwantembe

On 3 April 2019, the Group announced that the Board of Old Mutual Limited had considered an arms-length transaction by Ms. Mokgosi-Mwantembe in her personal capacity. Given the nature of the transaction the Group resolved that Ms Mokgosi-Mwantembe was no longer classified as an independent director on the Old Mutual Limited Board. This was effective from 3 April 2019 and her status has been reflected as a non-executive director since that date.

Peter Moyo

On 24 May 2019 the Board of Old Mutual Limited announced that it had made a decision to suspend the Chief Executive Officer, Peter Moyo and he was not appointed as a director of Old Mutual Limited at the Annual General Meeting held on that date. Subsequent to this, on 17 June 2019, the Board announced that it had given notice to Mr. Moyo to terminate his employment contract on notice. Although Mr. Moyo is currently challenging the termination of his employment contract in court proceedings, he is not required to perform any duties during his notice period.

Iain Williamson

Following the suspension of Peter Moyo, the Board of Old Mutual Limited announced that it had appointed Iain Williamson as the Interim Chief Executive Officer of Old Mutual Limited, effective 24 May 2019. Mr. Williamson was also appointed as executive director of Old Mutual Limited on 27 May 2019 and will remain in this position until such time as a suitable successor is announced.

(d) Investments in the NMT group of companies

Peter Moyo, previously an executive director of the Company, and of Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA), a wholly owned subsidiary of the Group, is also a non-executive director of NMT Capital (Pty) Ltd (NMT Capital) and NMT Group (Pty) Ltd (NMT Group), and holds an equity interest in both companies. OMLACSA has provided equity and preference share funding to both NMT Capital and NMT Group as well as related entities. RZT Zelpy 4971 (Pty) Ltd, RZT Zelpy 4973 (Pty) Ltd and STS Capital (Pty) Ltd are ordinary shareholders and related parties of NMT Capital. Amabubesi Capital Travelling (Pty) Ltd is a subsidiary of NMT Group.

In July 2019 and August 2019, NMT Capital repaid R47 million and R4 million respectively reflecting the full repayment of the outstanding preference shareholding in NMT Capital as well as arrear preference share dividends. During January 2020, NMT Capital bought back OMLACSA's ordinary shareholding for R14 million. In addition, the Group received R20 million as full settlement of the preference shareholding in RZT Zelpy 4971, RZT Zelpy 4973 and STS Capital. The investments in the NMT companies have been valued based on a directors' valuation. The negotiations to exit the remaining investments are in early stages and the timing and mechanism of the realisation is yet to be determined. The valuation of this investment will continue to be monitored as negotiations progress.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

J: Other notes

J3: Related parties

(d) Investments in the NMT group of companies

Year ended 31 December	2019	2018
Rm		
Investments held		
Ordinary shareholding – NMT Capital	14	14
Preference shareholding – NMT Capital	–	48
Preference shareholding – NMT Group	190	190
Preference shareholding – RZT Zelpy 4971	7	6
Preference shareholding – RZT Zelpy 4973	6	6
Preference shareholding – STS Capital	7	6
Preference shareholding – Amabubesi Capital Travelling	14	21
Transactions		
Ordinary dividend accrued – NMT Capital	2	23
Preference dividend accrued – NMT Capital	6	9
Preference dividend accrued – NMT Group	10	15

(e) Investments in the Kutana group of companies

Thoko Mokgosi-Mwantembe, a non-executive director of the Company and Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA), a wholly owned subsidiary of the Group, is also the Chief Executive Officer and sole equity holder of Kutana Capital (Pty) Ltd (Kutana).

During the period, Old Mutual Specialised Finance provided preference share funding to Luxanio 220 (RF) (Pty) Ltd, a wholly owned subsidiary of Kutana. In light of this investment, we also reviewed where Kutana had significant influence in the wider structure and provided additional information in respect of these relationships.

The Group, through various of its operating subsidiaries has provided debt funding as part of a consortium of lenders, to In2Food Group (Pty) Ltd through an entity called Middle Road Packers (Middle Road), an entity in which Kutana has an effective ownership of 35%.

The Group indirectly holds a 31% minority stake in Middle Road alongside Kutana's 35% interest, which was acquired by the Old Mutual Private Equity Fund IV (Fund IV) prior to Thoko Mokgosi-Mwantembe having been appointed as a non-executive director of the Company and OMLACSA. Fund IV is a limited liability partnership and the Group holds c.88% of the interest in Fund IV. In line with the nature of this structure, the Group has no influence over the investment decisions of this fund. These structures within the Group ensure that the independence of our asset management businesses is maintained. The underlying assets and liabilities of Fund IV have been consolidated into the Group's results and financial position as if it were a subsidiary in compliance with IFRS 10.

The transactions concluded with the Kutana Group of companies arose in the ordinary course of business and were conducted on the same commercial terms, including interest rates and security, as comparable transactions with third party counterparties. The transactions did not involve more than the normal risk of repayment, nor do they present any other unfavourable features to the Group.

Year ended 31 December	2019	2018
Rm		
Debt instruments held		
Preference shareholding - Luxanio 220 (RF) (Pty) Ltd	226	–
Mezzanine debt - In2Food Group (Pty) Ltd	37	43
Term loan A - In2Food Group (Pty) Ltd	84	94
Term loan B - In2Food Group (Pty) Ltd	120	139
Income earned		
Preference dividends accrued - Luxanio 220 (RF) (Pty) Ltd	25	–
Mezzanine debt interest accrued - In2Food Group (Pty) Ltd	1	1
Term loan A interest accrued - In2Food Group (Pty) Ltd	1	1
Term loan B interest accrued - In2Food Group (Pty) Ltd	1	1

J4: Contingent liabilities

The Group has provided certain guarantees for specific client obligations, in return for which the Group has received a fee. The Group has evaluated the extent of the possibility of the guarantees being called on and has provided appropriately.

Contingent liabilities – legal proceedings

The Group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the Group is involved in disputes and legal proceedings that arise in the ordinary course of business. Legal expenses incurred in respect of these disputes and legal proceedings are expensed as incurred. Claims, if any, cannot be reasonably estimated at this time but the Group does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on the financial position of the Group.

During the period the Group managed two ongoing litigation matters in which the Chairman of Old Mutual Limited is named. These matters had both reputational and strategic execution consequences specific to the Group and whilst the Chairman is named in these matters, the decision to incur these costs was made in the interests of the Group. Legal fees paid in respect of these matters for the year ended 31 December 2019 were approximately R930,000 (December 2018: R920,000).

The Group is currently pursuing litigation in relation to the decision made to terminate Peter Moyo's employment contract. The Group does not expect the ultimate resolution of these proceedings to have a significant adverse effect on the financial position of the Group.

Tax

The Revenue authorities in the principal jurisdictions in which the Group operates routinely review historic transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which it operates. All interpretations made by management are made with reference to the specific facts and circumstances of the transaction and the relevant legislation.

There are occasions where the Group's interpretation of tax law may be challenged by the Revenue authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Board is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources required to fund such potential settlements are sufficient.

Due to the level of estimation required in determining tax provisions amounts eventually payable may differ from the provision recognised.

Consumer protection

The Group is committed to treating customers fairly and supporting its customers in meeting their lifetime goals is central to how our businesses operate. We routinely engage with customers and regulators to ensure that we meet this commitment, but there is the risk of regulatory intervention across various jurisdictions, giving rise to the potential for customer redress which can result in retrospective changes to policyholder benefits, penalties or fines. The Group monitors the exposure to these actions and makes provision for the related costs as appropriate.

Outcome of Zimbabwean Commission Enquiry

On 31 December 2016, the Zimbabwean Government concluded its enquiry into the loss in value for certain policyholders and beneficiaries upon the conversion of pension and insurance benefits after the dollarisation of the economy in 2009. On 9 March 2018, the results of the Zimbabwean Government's enquiry were made public.

Although the Commission believes that policyholders may have been prejudiced, and that government, regulators and the insurance industry played a role in the loss of value, this finding is subject to review by the President and Cabinet. Furthermore, the Commission did not determine a methodology for quantifying or allocating responsibility for this prejudice and recommended that this be the subject of a further independent process to determine criteria for assessing prejudice as well as a basis for compensation which will also take into account the need to maintain stability and confidence in the industry. As such we are not currently able to establish what impact the Commission's findings will have on Old Mutual Zimbabwe.

Old Mutual Limited's intragroup guarantee of Travelers indemnification

In September 2001, Old Mutual plc, now a wholly owned subsidiary of Old Mutual Limited, entered into an indemnity agreement with Fidelity and Guaranty Life Insurance Company (F&G), United States Fidelity and Guaranty Company, St. Paul Fire and Marine Insurance Company and Travelers Companies Inc. (the Indemnity Agreement). In terms of this Indemnity Agreement, Old Mutual plc agreed to indemnify Travelers Companies Inc. and certain of its group companies (the Travelers Guarantors) against any and all claims that may be brought against the Travelers Guarantors under the historic guarantees given by the Travelers Guarantors for various obligations under certain life insurance policies and annuities issued by F&G, which obligations include a guarantee issued by the Travelers Guarantors. The liability in respect of this arrangement was limited to \$480 million. F&G has since signed a release agreement to agree they will not call on the guarantee in respect of these insurance policies and annuities.

In March 2018, Old Mutual Limited agreed to provide an intragroup guarantee to Old Mutual plc in the circumstances where Old Mutual plc is unable to satisfy its obligations in respect of the Indemnity Agreement. The likelihood of any material obligations arising under the Indemnity Agreement is considered to be remote given the release agreement entered into between Old Mutual plc and F&G, as well as the current financial strength and regulatory capital position of F&G, a licensed US life insurer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

J: Other notes

J5: Commitments

Capital commitments

The Group's management is confident that future net revenues and existing funding arrangements will be sufficient to cover these commitments.

At 31 December Rm	2019	2018
Investment property	620	682
Property, plant and equipment	–	99
Intangible assets	206	2,010

Potential future commitments

Enterprise development commitments

In accordance with the Framework Agreement entered into in relation to Managed Separation concluded with the Department of Economic Development (the Framework Agreement), the Group has undertaken that, in addition to its existing enterprise development programs, it shall, over a period of three years following the Managed Separation Implementation Date, allocate an incremental amount of R500 million to a ring-fenced perpetual Enterprise Supplier Development Fund (the Fund). Funding extended by the Fund is intended and anticipated to generate additional jobs in the company's Ecosystem. The Group's participation in the Fund shall be managed and administered by a specially created function with oversight from the office of the CEO, which function shall also be responsible for the measurement of compliance by the Group with the Amended FSC and the Group's broader commitment to transformation in South Africa.

Although the fund is developmental in nature, it is management's intention and belief that, in aggregate, the Group will return a profit on the instruments used to meet the requirements of the Framework Agreement. Nevertheless, as with any commitment to advance funding, the Group will be subject to credit and counterparty risk in relation to this arrangement. This risk will be assessed as funds are advanced, expected credit losses will be calculated, and appropriate provisions for impairment will be raised.

During the current financial year, R30 million has been distributed through loan funding mechanisms and two tranches of equity investments have been made to the value of R50 million.

Old Mutual Finance (Pty) Ltd put option

The Group and the Business Doctor Consortium Limited and its associates (Business Doctor) established Old Mutual Finance (Pty) Ltd (Old Mutual Finance) as a 50/50 start-up strategic alliance in 2008. The Group increased its shareholding in Old Mutual Finance from 50% to 75% in 2014 by acquiring an additional 25% shareholding from Business Doctor for R1.1 billion. The Group has a call option to acquire the remaining 25% shareholding in Old Mutual Finance held by Business Doctor at market value under certain circumstances, inter alia in the event of a change of control within Business Doctor and on the eighth and tenth anniversary of the effective date of the Old Mutual Finance shareholders' agreement (i.e. in 2022 and 2024 respectively). Business Doctor has a put option to sell its remaining 25% shareholding in Old Mutual Finance to the Group at market value under certain circumstances, inter alia in the event of a change of control within the Group and on the eighth and tenth anniversary of the effective date of the Old Mutual Finance shareholders' agreement (i.e. in 2022 and 2024 respectively).

Following the listing of Old Mutual Limited on 26 June 2018, Business Doctor became entitled to exercise the option to put the remaining shares to Old Mutual Limited. The Group received written confirmation on 22 July 2018 from Business Doctor that the put option would not be exercised.

Commitments under derivative instruments

The Group enters into option contracts, financial features contracts, forward rate and interest rate swap agreements, and other financial agreements in the normal course of business.

The Group has options to acquire further stakes in businesses dependent on various circumstances which are regarded by the Group as collectively and individually immaterial.

Other commitments

OMLACSA has entered into agreements where it has committed to provide capital to funds and partnerships that it has invested in. The total undrawn commitment is R8,300 million at 31 December 2019 (2018: R8,788 million).

J6: Events after the reporting date

NMT

During January 2020, NMT Capital bought back OMLACSA's ordinary shareholding of R14 million. In addition, the Group received R20 million as full settlement of the preference shareholding in RZT Zelpy 4971, RZT Zelpy 4973 and STS Capital. Refer to note J3 for more information.

COVID-19

On 11 March 2020, COVID-19 was declared as a pandemic due to the rising rate and scale of infection observed. The rapid spread of this virus has caused significant disruption in global equity markets.

We model the impact of 'perfect storm' scenarios on our solvency capital and liquidity levels. These stress tests have shown we remain sufficiently capitalised with appropriate liquidity levels through these scenarios.

K: Discontinued operations and disposal groups held for sale

Latin American businesses

The Latin American businesses have continued to be presented as discontinued operations in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the period from 1 January 2019 until the completion of the sale on 1 April 2019. This is consistent with the presentation for the year ended 31 December 2019. Following the completion of the sale, the Latin American businesses ceased to be subsidiaries of the Group and as such, the assets and liabilities of these businesses are no longer included in the consolidated statement of financial position at 31 December 2019.

In the consolidated statement of financial position at December 2018, the assets and liabilities of these businesses were classified and presented as assets and liabilities held for sale and distribution.

Old Mutual Bermuda

During the year ended 31 December 2018, the Bermuda operation substantially completed the wind down process in line with the wind down plan that was presented to the Old Mutual Bermuda and OM Residual UK Limited (previously Old Mutual plc) Boards as well as to the Bermuda Monetary Authority (BMA) in December 2017. The wind down process continues to remain on track with ultimate closure and final dissolution of the business expected during the next 12 months.

K1: Discontinued operations

The tables below present the income statement from discontinued operations (note K1(a)), the statement of comprehensive income from discontinued operations (note K1(b)) and net cash flows from discontinued operations (note K1(c)) for the year ended 31 December 2019 and the year ended 31 December 2018.

(a) Income statement from discontinued operations

Year ended 31 December Rm	2019	2018
Revenue	546	97,849
Expenses	(399)	(79,292)
Share of associated undertakings' and joint ventures' profits after tax	1	380
Discontinued operations' profit before tax	148	18,937
Profit on disposal of businesses classified as held for sale and distribution	193	21,823
Exchange differences recycled to profit or loss on disposal of businesses	135	1,352
Profit before tax from discontinued operations	476	42,112
Income tax expense	(372)	(4,401)
Profit after tax from discontinued operations	104	37,711
Attributable to:		
Equity holders of the parent	104	31,691
Non-controlling interests		
Ordinary shares	–	5,519
Preferred securities	–	501
Profit after tax from discontinued operations	104	37,711

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For the year ended 31 December 2019

K: Discontinued operations and disposal groups held for sale

K1: Discontinued operations

(b) Statement of comprehensive income from discontinued operations

Year ended 31 December Rm	2019	2018
Profit after tax from discontinued operations	104	37,711
Items that will not be reclassified subsequently to profit or loss		
Fair value movements – property revaluation	–	(143)
Share of comprehensive income from associated undertakings and joint ventures	–	(16)
Net measurement (losses)/gains on defined benefit plans	–	(231)
Income tax on items that will not be reclassified to profit or loss	–	105
	–	(285)
Items that may be reclassified subsequently to profit or loss		
Instruments at fair value through other comprehensive income - net change in fair value	–	(178)
Currency translation differences on translating foreign operations	98	1,038
Share of comprehensive income from associated undertakings and joint ventures	–	(62)
Other movements	–	(17)
	98	781
Total other comprehensive income for the financial period from discontinued operations after tax	98	496
Total comprehensive income for the financial period from discontinued operations	202	38,207
Attributable to:		
Equity holders of the parent	202	31,927
Non-controlling interests		
Ordinary shares	–	5,779
Preferred securities	–	501
Total comprehensive income for the financial period from discontinued operations	202	38,207

(c) Net cash flows from discontinued operations

Year ended 31 December Rm	2019	2018
Operating activities	561	15,953
Investing activities	(299)	(2,580)
Financing activities	(10)	(1,989)
Cash and cash equivalents divested on disposal of subsidiaries	(627)	(87,804)
Net cash outflow from discontinued operations	(375)	(76,420)

K2: Assets held for sale and distribution

Assets held for sale at 31 December 2019, predominantly includes investment properties with a total carrying value of R516 million. The disposal of these investment properties are expected to complete within the next 12 months. These assets form part of the policyholder assets and therefore will have no impact on the profit or loss of the Group.

The remainder is property plant and equipment held by Old Mutual Insure Limited.

L: Standards, amendments to standards and interpretations adopted in the 2019 Consolidated Annual Financial Statements

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2019 described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

Implementation of IFRS 16 'Leases' (IFRS 16)

On 1 January 2019, the Group adopted IFRS 16 'Leases' retrospectively, using the modified retrospective approach. The cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at that date. At 1 January 2019, the carrying values of the right-of-use assets were set to equal the lease liabilities as permitted by the standard. Comparatives have not been restated.

IFRS 16 introduced a single on balance sheet accounting model for leases and eliminates the distinction between operating and finance leases. Lessees recognise a right-of-use asset and lease liability based on the discounted payments required under the lease. The Group discounted lease payments using its weighted average incremental borrowing rate at 1 January 2019, of 9%.

As a result, the Group as lessee recognised right-of-use assets of R1.16 billion, with corresponding lease liabilities of R1.17 billion, with the right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies

During the year ended 31 December 2019, depreciation on right-of-use assets of R404 million and interest costs of R125 million on lease liabilities have been recognised in profit or loss.

Exemptions and practical expedients

The Group applied the following exemptions and practical expedients:

- The Group applied the standard to contracts that were already classified as leases at 31 December 2018.
- At 1 January 2019 the carrying values of the right-of-use assets were set to equal the lease liabilities and were increased or decreased with the operating lease prepayment assets or operating lease accruals at 31 December 2018.
- The Group applied a single discount rate to portfolios of leases with reasonably similar characteristics.
- The Group did not recognise a right-of-use asset or lease liability for leases which have a lease term of 12 months or less from 1 January 2019. These operating lease payments will be expensed on a straight line basis over the lease term.
- The Group did not recognise a right-of-use asset or lease liability for low value leases. These operating lease payments will be expensed on a straight line basis over the lease term.
- For renewal options the Group used hindsight to determine the lease term at 1 January 2019.
- The Group did not include any initial direct costs in the carrying values of the right-to-use assets at 1 January 2019.
- The Group has relied on IAS37 assessment of whether leases are onerous.

The Group calculated the lease liabilities and right-of-use assets at 1 January 2019 as follows:

Rm	1 January 2019
Operating Lease Commitments at 31 December 2018	979
Within one year	275
In the second to fifth years inclusive	668
After five years	36
Present Value of Operating Leases at 31 December 2018	889
Adjusted for:	
Short term leases	(30)
Leases of low value assets	(1)
Renewal and termination options reasonably certain to be exercised	314
Lease liabilities (previous operating leases)	1,172
Finance lease liabilities	–
Total lease liabilities (undiscounted)	1,172
Prepaid operating lease expenses at 31 December 2018	2
Accrued operating lease expenses at 31 December 2018	(14)
Total right-of-use assets	1,160
Represented by:	
Right-of-use assets – Property, plant and equipment	1,160
Total right-of-use Assets	1,160

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

L: Standards, amendments to standards and interpretations adopted in the 2019 Consolidated Annual Financial Statements

IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. This interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively only if possible without the use of hindsight.

M: Future standards, amendments to standards and interpretations not early-adopted in the 2019 Consolidated Annual Financial Statements

Certain new accounting standards and interpretations, have been published that are not mandatory for 2019 reporting periods and have not been early adopted by the Group.

IFRS 17 Insurance Contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021 (however the IASB has made a tentative decision to defer the effective date by one year, subject to due process). The IASB issued IFRS 17 'Insurance Contracts' in May 2017 as a replacement for IFRS 4 'Insurance Contracts'. The Group will apply the new standard from the effective date. The new standard will affect the financial statements and key performance indicators of all entities in the Group that issue insurance contracts (such as term and life insurance, life annuities, disability insurance, and property & casualty insurance) or investment contracts with discretionary participation features (such as with-profit annuities and investments). The most significant impacted subsidiary will be the Old Mutual Life Assurance Company (South Africa) Limited. However, all other Group entities with life and short-term insurance licences will also be impacted.

The Group has instituted an implementation programme under the sponsorship of the Chief Financial Officer, who chairs a steering committee consisting of senior finance, actuarial and information technology executives from impacted business areas. Each major IFRS 17 focus area (i.e. Group, Rest of Africa and OM Insure) is also governed by a delivery committee, which consists of senior finance and actuarial managers who make decisions on scope, design and enablement for their relevant focus areas. IFRS 17 Projects were also mobilised in segments and countries during 2019, each with their own governance and decision-making forums. All decisions relating to the interpretation of the standard (i.e. policies and methodologies) are made by a Technical Review Committee (TRC), which consists of actuarial and finance subject matter experts across the Group, the Segments and Rest of Africa. Ratification of major decisions is done by the steering committee. Programme resources include a mix of dedicated and shared internal technical experts, as well as external consultants where appropriate.

During 2017 and 2018, the Group completed the initial impact assessments, including several pilot projects on selected products aimed at assessing the financial impacts of the standard. Significant progress has been made on the development of accounting and actuarial policies and methodologies, with formal sign off from the TRC on each version of a policy, as well as outcomes of investigations. This also includes a comprehensive product classification model, which includes the Group product scope and IFRS 17 classification and measurement approach per product. The transition approach and process was finalised in 2018 and indicative transition calculations on 2018 balances for the most significant products were completed in 2019. Calculations on the 2019 balances will commence early in 2020. Actuarial modelling development, which is the most significant enablement requirement on the programme in addition to transition and data sourcing and system changes, commenced in 2018 and is currently largely on track against the plan. A robust financial data model, CSM calculation engine and results repository prototype were also developed in 2019 to demonstrate the new systems capability that is required within Old Mutual Limited.

The Group, OMLACSA and OMLAC Namibia Project is now in the process of initiating the finance and actuarial system and process build. The new capability leverages the existing financial reporting landscape and provides a sustainable, long term IFRS 17 solution. The Rest of Africa Project progressed well in 2019 and is in the process of finalising detailed business requirements. Solution design and data sourcing enablement will commence early in 2020. The OM Insure Project procured an IFRS 17 reporting solution during 2019 and is currently busy with implementation activities, whilst finalising detailed process and data requirements in parallel.

Amendments to IFRS 3 'Business Combinations – Definition of a Business'

The amendments must be applied to transactions with effective dates that are on or after 1 January 2020. The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output. The amendment states that a business can exist without including all of the inputs and processes needed to create outputs. The inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'. The Group is not required to review transactions completed in prior periods.

N: Directors' and Prescribed Officers' emoluments

The Directors' emoluments disclosures required by the Companies' Act are set out below and includes disclosure in relation to Executive Directors and Prescribed Officers. Disclosures required in terms of King IV™ will be disclosed in the Old Mutual Limited Remuneration Report which will be released on 31 March 2020 and can be accessed on <http://www.oldmutual.com/investor-relations/reporting-centre/reports>

Executive directors	Iain Williamson		Casper Troskie	
	2019	2018	2019	2018
Salary ¹	5,749,760	4,256,650	4,559,625	3,322,670
Other Benefits	90,865	85,850	–	–
Retirement Benefits	165,375	157,500	165,375	120,511
TGP	6,006,000	4,500,000	4,725,000	3,443,181
Bonus – MSIP ⁶	–	4,834,050	–	–
Other Bonus ²	3,150,000	3,041,260	4,060,000	8,222,606
Total excluding share-based payments	9,156,000	12,375,310	8,785,000	11,665,787
IFRS 2 fair value of unvested shares at year end owed to director	7,354,073	7,612,637	5,758,816	693,763
IFRS 2 charge on Nedbank/Quilter	–	8,486,823	–	–
Number of shares vested ⁷	333,105	246,089	–	–
Class of share	Ordinary	Ordinary	–	–

Prescribed officers	Clarence Nethengwe		Clement Chinaka		Garth Napier	
	2019	2018	2019	2018	2019	2018
Salary	4,051,320	3,472,320	3,892,163	3,377,500	4,089,751	543,833
Other benefits	1,680	1,680	–	–	–	–
Retirement benefits	147,000	126,000	141,167	122,500	381,218	177,000
TGP	4,200,000	3,600,000	4,033,330	3,500,000	4,470,969	720,833
Bonus – MSIP	–	1,529,750	–	1,589,280	–	–
Other Bonus ²	1,740,000	4,205,793	2,160,000	4,045,978	2,128,708	5,638,750
Total excluding share-based payments	5,940,000	9,335,543	6,193,330	9,135,258	6,599,677	6,359,583
IFRS 2 fair value of unvested shares at year end owed to director	4,751,379	3,190,077	5,249,589	4,146,492	4,446,060	433,000
IFRS 2 charge on Nedbank/Quilter	–	4,599,517	–	5,302,607	–	–
Number of shares vested ⁷	122,203	135,140	133,440	167,207	–	–
Class of share	Ordinary	Ordinary	Ordinary	Ordinary	–	–

Prescribed officers	Khaya Gobodo		Prabashini Moodley		Heloise Van Der Mescht	
	2019	2018	2019	2018	2019	2018
Salary ¹	3,855,693	–	611,166	–	2,217,941	–
Other benefits	4,307	–	–	–	–	–
Retirement benefits	140,000	–	22,166	–	70,674	–
TGP	4,000,000	–	633,332	–	2,288,615	–
Bonus – MSIP	–	–	–	–	–	–
Other Bonus ²	11,680,000	–	1,305,000	–	2,175,000	–
Total excluding share-based payments	15,680,000	–	1,938,332	–	4,463,615	–
IFRS 2 fair value of unvested shares at year end owed to director	2,990,072	–	1,933,898	–	2,290,986	–
IFRS 2 charge on Nedbank/Quilter	–	–	–	–	–	–
Number of shares vested ⁷	–	–	28,711	–	34,975	–
Class of share	–	–	Ordinary	–	Ordinary	–

See footnotes on page 135.

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For the year ended 31 December 2019

N: Directors' and Prescribed Officers' emoluments

Prescribed officers	Karabo Morule	
	2019	2018
Salary	3,922,090	3,645,683
Other benefits	130,910	21,317
Retirement benefits	147,000	133,000
TGP	4,200,000	3,800,000
Bonus – MSIP	–	3,006,300
Other Bonus	–	2,650,548
Total excluding share-based payments	4,200,000	9,456,848
IFRS 2 fair value of unvested shares at year end owed to director	4,922,519	4,696,376
IFRS 2 charge on Nedbank/Quilter	–	5,577,618
Number of shares vested ⁷	215,748	172,321
Class of share	Ordinary	Ordinary

Exiting executive directors and prescribed officers	Peter Moyo		David Macready	
	2019	2018	2019	2018
Salary ¹	7,938,000	7,720,000	1,244,778	4,979,110
Other benefits	–	–	–	–
Retirement benefits	147,000	280,000	45,147	180,590
TGP	8,085,000	8,000,000	1,289,925	5,159,700
Bonus – MSIP	–	6,768,750	–	6,307,875
Other Bonus	–	7,145,732	–	8,327,898
Other ³	1,074,104	209,745	520,930	–
Termination payment	–	–	6,750,000	–
Total excluding share-based payments	9,159,104	22,124,227	8,560,855	19,795,473
IFRS 2 fair value of unvested shares at year end owed to director	–	11,747,536	2,751,576	9,586,173
IFRS 2 charge on Nedbank/Quilter	–	22,747,713	–	12,449,974
Number of shares vested ⁷	–	523,294	475,625	523,109
Class of share	–	Ordinary	Ordinary	Ordinary

Prescribed officer (all values reflected in USD unless otherwise stated)	Jonas Mushosho ⁴	
	2019	2018
Salary	373,720	315,000
Retirement benefits	–	–
TGP	373,720	315,000
Bonus – MSIP	–	320,034
Other Bonus	166,100	359,600
Other	1,109,232	–
Total excluding share-based payments	1,649,052	994,634
IFRS 2 fair value of unvested shares at year end owed to director	226,659	12,931
IFRS 2 charge on Nedbank/Quilter	–	250,771
Number of shares vested ⁷	433,418	140,884
Class of share	Ordinary	Ordinary

See footnotes on page 135.

Executive director (all values reflected in GBP unless otherwise stated)	Ingrid Johnson ⁵	
	2019	2018
Salary	–	331,075
Other benefits	–	–
Retirement benefits	–	164,433
TGP	–	495,508
Bonus – MSIP	–	–
Other Bonus	–	679,892
Termination payments	645,644	–
Total excluding share-based payments	645,644	1,175,400

- The salary for Iain Williamson includes an annualised acting allowance of R2,196,000 and for Heloise van der Mescht of R1,320,000 paid monthly. The salaries for Prabashini Moodley and Heloise van Mescht are shown from the date that they became prescribed officers. The salary for Peter Moyo includes Notice period pay of R4,200,000.
- The other bonus includes the cash portion of the performance bonus linked to performance in the 2019 financial year. Other bonus for Casper Troskie includes R1,600,000 representing the second tranche of a sign on bonus. Other bonus for Khaya Gobodo includes R8,500,000 representing the second tranche of a buy out award. Other bonus for Garth Napier includes relocation allowances of R538,708.
- Other includes pay in lieu of leave for Peter Moyo of R969,231, and for David Macready of R520,930.
- TGP for Jonas Mushosho includes economic hardship allowances and indexed salary adjustments. Other includes accumulated and statutory post-retirement leave and recognition for his additional responsibilities as CEO of Old Mutual Zimbabwe Limited in addition to his appointment as Managing Director of Rest of Africa.
- Ingrid Johnson commenced employment with the Old Mutual Group on 1 September 1993, originally employed by Nedbank, and then from 1 July 2014, as Group Finance Director of Old Mutual plc. Additionally she was appointed an executive director of Old Mutual Limited from 5 March 2018 to 30 June 2018, and a non-executive director from 1 July to 30 November 2018 for reasons outlined in section VIII of its prospectus and prelisting statement. The values set out in the table are in respect of her role as the Group Finance Director of Old Mutual plc. She did not receive any additional remuneration from Old Mutual Limited as an executive director from 5 March 2018 to 30 June 2018, nor any fees for her role as a non-executive director from 1 July 2018 to 30 November 2018. Earnings in relation to Ingrid Johnson's employment with Old Mutual plc for the period 1 July 2018 to 31 July 2019 are not included. As a result of the Managed Separation, Ingrid Johnson was made redundant by Old Mutual plc. The termination payment paid in 2019 is a redundancy payment paid by Old Mutual plc, in accordance with the terms of the Old Mutual plc Directors' Remuneration Policy, which allowed for a payment, in the case of redundancy, of two weeks' base pay per year of service provided the terms of the settlement agreement signed on 26 June 2018 were satisfied. Ingrid Johnson's period of service in this regard ran from 1 September 1993 to 31 December 2018.
- Managed Separation Incentive Plan.
- Prior year number of shares vested includes Quilter and Nedbank distributions received where applicable.

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For the year ended 31 December 2019

N: Directors' and Prescribed Officers' emoluments

Bonus share awards

	Award Date	Vesting Date	Issue Price (ZAR)	2018 20 Day Year End VWAP (ZAR)	2019 20 Day Year End VWAP (ZAR)	Share Units				Value (Pre-Tax)			
						Opening Balance on 1 Jan 2019 (Number)	Granted during 2019 (Number)	Lapsed during 2019 (Number)	Settled during 2019 (Number)	Closing Balance on 31 Dec 2019 (Number)	Value of Lapsed Awards During 2019 (ZAR)	Value of Settled Awards During 2019 (ZAR)	Estimated closing fair value on 31 Dec 2019 (ZAR)
Iain Williamson													
Long-Term Incentive Plan													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	78,161	-	38,924	39,237	-	831,806	838,495	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	142,858	-	-	-	142,858	-	-	1,049,933
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	108,854	-	-	-	108,854	-	-	1,259,876
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	72,414	-	-	72,414	-	-	838,120
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	72,414	-	-	72,414	-	-	838,120
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	72,414	-	-	72,414	-	-	838,120
Deferred Short-Term Incentive													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	70,103	-	-	70,103	-	-	1,498,101	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	53,884	-	-	-	53,884	-	-	1,039,422
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	46,558	-	-	-	46,558	-	-	898,104
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	93,219	30,552	-	62,667	664,506	-	1,208,846
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	14 Dec 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
Managed Separation Incentive Plan													
2018	18 Sep 18	18 Sep 19	29,80	22,34	19,29	162,217	-	-	162,217	-	-	3,257,317	-
2018 Special Award	14 Dec 18	18 Sep 19	22,00	22,34	19,29	61,548	-	-	61,548	-	-	1,235,884	-
Total						724,647	310,461	69,476	333,105	632,527	1,496,312	6,829,797	7,979,491
Casper Troskie													
Long-Term Incentive Plan													
2018 Tranche 1	18 Sep 18	18 Sep 21	29,80	22,34	19,29	100,671	-	-	-	100,671	-	-	1,165,166
2018 Tranche 2	18 Sep 18	18 Sep 22	29,80	22,34	19,29	100,671	-	-	-	100,671	-	-	1,165,166
2018 Tranche 3	18 Sep 18	18 Sep 23	29,80	22,34	19,29	100,672	-	-	-	100,672	-	-	1,165,178
2018 Special Grant Tranche 1	14 Dec 18	18 Sep 21	22,00	22,34	19,29	38,196	-	-	-	38,196	-	-	442,081
2018 Special Grant Tranche 2	14 Dec 18	18 Sep 22	22,00	22,34	19,29	38,196	-	-	-	38,196	-	-	442,081
2018 Special Grant Tranche 3	14 Dec 18	18 Sep 23	22,00	22,34	19,29	38,197	-	-	-	38,197	-	-	442,092
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	79,655	-	-	79,655	-	-	921,927
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	79,655	-	-	79,655	-	-	921,927
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	79,656	-	-	79,656	-	-	921,939
Deferred Short-Term Incentive													
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	119,371	39,124	-	80,247	850,947	-	1,547,965
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	14 Dec 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
Buy-out Award													
2018	18 Sep 18	18 Sep 21	29,80	22,34	19,29	83,893	-	-	-	83,893	-	-	1,618,296
2018 Special Grant	14 Dec 18	18 Sep 21	22,00	22,34	19,29	31,831	-	-	-	31,831	-	-	614,020
Total						532,791	358,337	39,124	-	852,004	850,947	-	11,376,788

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N: Directors' and Prescribed Officers' emoluments

Bonus share awards

	Award Date	Vesting Date	Issue Price (ZAR)	2018 20 Day Year End VWAP (ZAR)	2019 20 Day Year End VWAP (ZAR)	Share Units				Value (Pre-Tax)			
						Opening Balance on 1 Jan 2019 (Number)	Granted during 2019 (Number)	Lapsed during 2019 (Number)	Settled during 2019 (Number)	Closing Balance on 31 Dec 2019 (Number)	Value of Lapsed Awards During 2019 (ZAR)	Value of Settled Awards During 2019 (ZAR)	Estimated closing fair value on 31 Dec 2019 (ZAR)
Clarence Nethengwe													
Long-Term Incentive Plan													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	15,515	-	7,726	7,789	-	165,105	166,451	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	18,884	-	-	-	18,884	-	-	138,788
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	95,792	-	-	-	95,792	-	-	1,108,697
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	70,805	-	-	70,805	-	-	819,497
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	70,805	-	-	70,805	-	-	819,497
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	70,804	-	-	70,804	-	-	819,485
Deferred Short-Term Incentive													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	20,329	-	-	20,329	-	-	434,431	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	15,715	-	-	-	15,715	-	-	303,142
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	35,757	-	-	-	35,757	-	-	689,753
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	128,914	42,251	-	86,663	918,959	-	1,671,729
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	18 Sep 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
Managed Separation Incentive Plan													
2018	18 Sep 18	18 Sep 19	29,80	22,34	19,29	51,334	-	-	51,334	-	-	1,030,787	-
2018 Special Award	14 Dec 18	18 Sep 19	22,00	22,34	19,29	19,477	-	-	19,477	-	-	391,098	-
Discretionary Share Award													
2015 Tranche 2	9 Sep 15	9 Sep 19	40,03	22,34	19,29	23,274	-	-	23,274	-	-	432,198	-
2015 Tranche 3	9 Sep 15	9 Sep 20	40,03	22,34	19,29	23,274	-	-	-	23,274	-	-	448,955
Total						319,815	341,328	49,977	122,203	488,963	1,084,064	2,454,965	6,828,493
Clement Chinaka													
Long-Term Incentive Plan													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	50,257	-	25,028	25,229	-	534,848	539,144	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	61,916	-	-	-	61,916	-	-	455,051
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	93,131	-	-	-	93,131	-	-	1,077,898
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	67,433	-	-	67,433	-	-	780,470
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	67,433	-	-	67,433	-	-	780,470
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	67,433	-	-	67,433	-	-	780,470
Deferred Short-Term Incentive													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	34,644	-	-	34,644	-	-	740,342	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	28,395	-	-	-	28,395	-	-	547,740
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	39,068	-	-	-	39,068	-	-	753,622
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	124,015	40,646	-	83,369	884,051	-	1,608,188
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	18 Sep 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
Managed Separation Incentive Plan													
2018	18 Sep 18	18 Sep 19	29,80	22,34	19,29	53,332	-	-	53,332	-	-	1,070,907	-
2018 Special Award	14 Dec 18	18 Sep 19	22,00	22,34	19,29	20,235	-	-	20,235	-	-	406,319	-
Total						381,442	326,314	65,674	133,440	508,642	1,418,899	2,756,712	6,792,859

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N: Directors' and Prescribed Officers' emoluments

Bonus share awards

Award Date	Vesting Date	Issue Price (ZAR)	2018 20 Day Year End VWAP (ZAR)	2019 20 Day Year End VWAP (ZAR)	Share Units				Value (Pre-Tax)					
					Opening Balance on 1 Jan 2019 (Number)	Granted during 2019 (Number)	Lapsed during 2019 (Number)	Settled during 2019 (Number)	Closing Balance on 31 Dec 2019 (Number)	Value of Lapsed Awards During 2019 (ZAR)	Value of Settled Awards During 2019 (ZAR)	Estimated closing fair value on 31 Dec 2019 (ZAR)		
Garth Napier														
Long-Term Incentive Plan														
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	72,911	-	-	72,911	-	-	-	843,872
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	72,913	-	-	72,913	-	-	-	843,895
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	72,913	-	-	72,913	-	-	-	843,895
Deferred Short-Term Incentive														
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	19,886	6,517	-	13,369	141,745	-	-	257,888
Sign-on-Award														
2019 Tranche 1	20 Mar 19	20 Mar 20	21,75	22,34	19,29	-	108,966	-	-	108,966	-	-	-	2,101,954
2019 Tranche 2	20 Mar 19	20 Mar 21	21,75	22,34	19,29	-	108,965	-	-	108,965	-	-	-	2,101,935
2019 Tranche 3	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	108,966	-	-	108,966	-	-	-	2,101,954
Total						-	565,520	6,517	-	559,003	141,745	-	-	9,095,393
Khaya Gobodo														
Long-Term Incentive Plan														
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	81,036	-	-	-	81,036	-	-	-	937,911
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	61,303	-	-	61,303	-	-	-	709,521
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	61,303	-	-	61,303	-	-	-	709,521
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	61,303	-	-	61,303	-	-	-	709,521
Deferred Short-Term Incentive¹														
2019 MTI : Global Equity Fund	20 Mar 19	20 Mar 22	30,12	-	31,23	-	64,493	-	-	64,493	-	-	-	2,014,057
2019 MTI : Investors Fund	20 Mar 19	20 Mar 22	396,28	-	384,05	-	4,903	-	-	4,903	-	-	-	1,882,830
Broad-Based Employee Share Plan														
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	-	6,481
2018 Special Award	14 Dec 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	-	2,469
Buy-out Award														
2018 Tranche 1	19 Apr 18	19 Apr 21	41,34	22,34	19,29	36,285	-	-	-	36,285	-	-	-	699,938
2018 Tranche 2	19 Apr 18	19 Apr 22	41,34	22,34	19,29	36,285	-	-	-	36,285	-	-	-	699,938
2018 Tranche 3	19 Apr 18	19 Apr 23	41,34	22,34	19,29	36,284	-	-	-	36,284	-	-	-	699,918
Total						-	-	-	-	-	-	-	-	9,072,105

¹ Khaya Gobodo's deferred STI is invested in unit trusts and not OML shares. No total is thus provided for number of shares as this represents a combination of OML shares and unit trusts.

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For the year ended 31 December 2019

N: Directors' and Prescribed Officers' emoluments

Bonus share awards

Award Date	Vesting Date	Issue Price (ZAR)	2018 20 Day Year End VWAP (ZAR)	2019 20 Day Year End VWAP (ZAR)	Share Units				Value (Pre-Tax)				
					Opening Balance on 1 Jan 2019 (Number)	Granted during 2019 (Number)	Lapsed during 2019 (Number)	Settled during 2019 (Number)	Closing Balance on 31 Dec 2019 (Number)	Value of Lapsed Awards During 2019 (ZAR)	Value of Settled Awards During 2019 (ZAR)	Estimated closing fair value on 31 Dec 2019 (ZAR)	
Prabashini Moodley													
Long-Term Incentive Plan													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	17,510	-	8,720	8,790	-	186,346	187,842	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	21,213	-	-	-	21,213	-	-	155,905
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	21,287	-	-	-	21,287	-	-	246,376
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	16,092	-	-	16,092	-	-	186,249
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	16,092	-	-	16,092	-	-	186,249
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	16,092	-	-	16,092	-	-	186,249
Deferred Short-Term Incentive													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	19,921	-	-	19,921	-	-	425,712	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	17,652	-	-	-	17,652	-	-	340,507
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	16,269	-	-	-	16,269	-	-	313,829
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	45,191	-	-	45,191	-	-	871,734
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	14 Dec 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
Total						114,316	93,467	8,720	28,711	170,352	186,346	613,554	2,496,048

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For the year ended 31 December 2019

N: Directors' and Prescribed Officers' emoluments

Bonus share awards

Award Date	Vesting Date	Issue Price (ZAR)	2018 20 Day Year End VWAP (ZAR)	2019 20 Day Year End VWAP (ZAR)	Share Units				Value (Pre-Tax)				
					Opening Balance on 1 Jan 2019 (Number)	Granted during 2019 (Number)	Lapsed during 2019 (Number)	Settled during 2019 (Number)	Closing Balance on 31 Dec 2019 (Number)	Value of Lapsed Awards During 2019 (ZAR)	Value of Settled Awards During 2019 (ZAR)	Estimated closing fair value on 31 Dec 2019 (ZAR)	
Heloise Van Der Mescht													
Long-Term Incentive Plan													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	25,180	-	12,540	12,640	-	267,980	270,117	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	30,360	-	-	-	30,360	-	-	223,131
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	26,989	-	-	-	26,989	-	-	312,371
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	17,954	-	-	17,954	-	-	207,800
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	17,954	-	-	17,954	-	-	207,800
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	17,955	-	-	17,955	-	-	207,811
Deferred Short-Term Incentive													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	22,335	-	-	22,335	-	-	477,299	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	23,377	-	-	-	23,377	-	-	450,942
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	16,848	-	-	-	16,848	-	-	324,998
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	43,085	-	-	43,085	-	-	831,110
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	14 Dec 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
Total						145,553	96,948	12,540	34,975	194,986	267,980	747,416	2,774,913
Karabo Morule													
Long-Term Incentive Plan													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	49,500	-	24,651	24,849	-	526,792	531,023	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	59,966	-	-	-	59,966	-	-	440,720
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	101,113	-	-	-	101,113	-	-	1,170,282
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	70,805	-	-	70,805	-	-	819,497
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	70,805	-	-	70,805	-	-	819,497
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	70,804	-	-	70,804	-	-	819,485
Deferred Short-Term Incentive													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	26,739	-	-	26,739	-	-	571,412	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	21,817	-	-	-	21,817	-	-	420,850
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	37,580	-	-	-	37,580	-	-	724,918
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	81,243	26,627	-	54,616	579,137	-	1,053,543
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	-	-	336	-	-	6,481
2018 Special Award	18 Sep 18	18 Sep 20	22,00	22,34	19,29	128	-	-	-	128	-	-	2,469
Managed Separation Incentive Plan													
2018	18 Sep 18	18 Sep 19	29,80	22,34	19,29	100,883	-	-	100,883	-	-	2,025,731	-
2018 Special Award	14 Dec 18	18 Sep 19	22,00	22,34	19,29	38,277	-	-	38,277	-	-	768,602	-
Discretionary Share Award													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	25,000	-	-	25,000	-	-	534,250	-
Total						461,339	293,657	51,278	215,748	487,970	1,105,929	4,431,018	6,277,742

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N: Directors' and Prescribed Officers' emoluments

Bonus share awards

Award Date	Vesting Date	Issue Price (ZAR)	2018 20 Day Year End VWAP (ZAR)	2019 20 Day Year End VWAP (ZAR)	Share Units				Value (Pre-Tax)				
					Opening Balance on 1 Jan 2019 (Number)	Granted during 2019 (Number)	Lapsed during 2019 (Number)	Settled during 2019 (Number)	Closing Balance on 31 Dec 2019 (Number)	Value of Lapsed Awards During 2019 (ZAR)	Value of Settled Awards During 2019 (ZAR)	Estimated closing fair value on 31 Dec 2019 (ZAR)	
Peter Moyo													
Long-Term Incentive Plan													
2017	6 Sep 17	6 Sep 20	34,50	22,34	19,29	543,479	-	543,479	-	-	11,750,016	-	-
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	290,276	-	290,276	-	-	6,275,767	-	-
2019 Tranche 1	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	193,104	193,104	-	-	4,174,908	-	-
2019 Tranche 2	20 Mar 19	20 Mar 23	21,75	22,34	19,29	-	193,104	193,104	-	-	4,174,908	-	-
2019 Tranche 3	20 Mar 19	20 Mar 24	21,75	22,34	19,29	-	193,103	193,103	-	-	4,174,887	-	-
Deferred Short-Term Incentive													
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	54,690	-	54,690	-	-	1,182,398	-	-
2019	20 Mar 19	20 Mar 22	21,75	22,34	19,29	-	219,027	219,027	-	-	4,735,364	-	-
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	22,34	19,29	336	-	336	-	-	7,264	-	-
2018 Special Award	14 Dec 18	18 Sep 20	22,00	22,34	19,29	128	-	128	-	-	2,767	-	-
Managed Separation Incentive Plan													
2018	18 Sep 18	18 Sep 19	29,80	22,34	19,29	227,140	-	227,140	-	-	4,910,767	-	-
2018 Special Award	14 Dec 18	18 Sep 19	22,00	22,34	19,29	86,180	-	86,180	-	-	1,863,212	-	-
Buy-out Award													
2017 Tranche 1	6 Sep 17	6 Sep 20	34,50	22,34	19,29	181,160	-	181,160	-	-	3,916,679	-	-
2017 Tranche 2	6 Sep 17	6 Sep 21	34,50	22,34	19,29	181,160	-	181,160	-	-	3,916,679	-	-
2017 Tranche 3	6 Sep 17	6 Sep 22	34,50	22,34	19,29	181,159	-	181,159	-	-	3,916,658	-	-
Total						1,745,708	798,338	2,544,046	-	-	55,002,274	-	-
David Macready													
Long-Term Incentive Plan													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	147,657	-	73,533	74,124	-	1,571,400	1,584,030	-
2017	29 Mar 17	29 Mar 20	35,00	22,34	19,29	175,500	-	58,287	-	117,213	1,257,251	-	861,455
2018	19 Apr 18	19 Apr 21	41,34	22,34	19,29	156,015	-	106,763	-	49,252	2,302,878	-	570,043
Deferred Short-Term Incentive													
2016	14 Mar 16	14 Mar 19	40,00	22,34	19,29	109,051	-	-	109,051	-	-	2,330,420	-
Broad-Based Employee Share Plan													
2018	18 Sep 18	1 Apr 19	29,80	22,34	19,29	336	-	-	336	-	-	7,248	-
2018 Special Award	14 Dec 18	1 Apr 19	22,00	22,34	19,29	128	-	-	128	-	-	2,761	-
Managed Separation Incentive Plan													
2018	18 Sep 18	1 Apr 19	29,80	22,34	19,29	211,674	-	-	211,674	-	-	4,565,808	-
2018 Special Award	14 Dec 18	1 Apr 19	22,00	22,34	19,29	80,312	-	-	80,312	-	-	1,732,330	-
Total						880,673	-	238,583	475,625	166,465	5,131,529	10,222,597	1,431,498

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

N: Directors' and Prescribed Officers' emoluments

Bonus share awards

	Award Date	Vesting Date	Issue Price (USD)	2018 20 Day Year End VWAP (USD)	2019 20 Day Year End VWAP (USD)	Share Units				Value (Pre-Tax)			
						Opening Balance on 1 Jan 2019 (Number)	Granted during 2019 (Number)	Lapsed during 2019 (Number)	Settled during 2019 (Number)	Closing Balance on 31 Dec 2019 (Number)	Value of Lapsed Awards During 2019 (USD)	Value of Settled Awards During 2019 (USD)	Estimated closing fair value on 31 Dec 2019 (USD)
Jonas Mushosho													
Long-Term Incentive Plan													
2016	14 Mar 16	14 Mar 19	2,54	1,58	1,34	46,054	-	22,918	23,136	-	33,919	34,241	-
2017	6 Sep 17	6 Sep 20	2,67	1,58	1,34	67,322	-	15,357	-	51,965	21,599	-	26,577
2018	19 Apr 18	19 Apr 21	3,45	1,58	1,34	100,456	-	43,538	-	56,918	61,235	-	45,842
2019 Tranche 1	20 Mar 19	20 Mar 22	1,50	1,58	1,34	-	79,670	58,881	-	20,789	82,814	-	16,744
2019 Tranche 2	20 Mar 19	20 Mar 23	1,50	1,58	1,34	-	79,670	64,075	-	15,595	90,119	-	12,560
2019 Tranche 3	20 Mar 19	20 Mar 24	1,50	1,58	1,34	-	79,671	67,200	-	12,471	94,515	-	10,044
Deferred Short-Term Incentive													
2016	1 Apr 16	1 Apr 19	0,82	1,58	1,34	189,238	-	-	189,238	-	-	155,175	-
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	2,00	1,58	1,34	336	-	-	336	-	-	473	-
2018 Special Award	18 Sep 18	18 Sep 20	1,55	1,58	1,34	128	-	-	128	-	-	180	-
Managed Separation Incentive Plan													
2018	18 Sep 18	18 Sep 19	2,00	1,58	1,34	159,908	-	-	159,908	-	-	201,176	-
2018 Special Award	14 Dec 18	18 Sep 19	1,55	1,58	1,34	60,672	-	-	60,672	-	-	76,330	-
Total						624,114	239,011	271,969	433,418	157,738	384,201	467,575	111,767

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

N: Directors' and Prescribed Officers' emoluments

Bonus share awards

2018						2018							
						Share Units				Value (Pre-Tax)			
Award Date	Vesting Date	Issue Price (ZAR)	2017 20 Day Year End VWAP (ZAR)	2018 20 Day Year End VWAP (ZAR)		Opening Balance on 1 Jan 2018 (Number)	Granted during 2018 (Number)	Lapsed during 2018 (Number)	Settled during 2018 (Number)	Closing Balance on 31 Dec 2018 (Number)	Value of Lapsed Awards During 2018 (ZAR)	Value of Settled Awards During 2018 (ZAR)	Estimated closing fair value on 31 Dec 2018 (ZAR)
Iain Williamson													
Long-Term Incentive Plan													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	41,579	-	13,007	28,572	-	528,735	1,161,452	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	78,161	-	-	-	78,161	-	-	876,551
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	142,858	-	-	-	142,858	-	-	1,914,869
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	108,854	-	-	108,854	-	-	1,459,079
Deferred Short-Term Incentive													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	34,644	-	-	34,644	-	-	1,408,279	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	70,103	-	-	-	70,103	-	-	1,566,101
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	53,884	-	-	-	53,884	-	-	1,203,769
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	46,558	-	-	46,558	-	-	1,040,106
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	37,13	22,34	-	336	-	-	336	-	-	7,506
2018 Special Award	14 Dec 18	18 Sep 20	22,00	37,13	22,34	-	128	-	-	128	-	-	2,860
Managed Separation Incentive Plan													
2018	18 Sep 18	18 Sep 19	29,80	37,13	22,34	-	162,217	-	-	162,217	-	-	3,623,928
2018 Special Award	14 Dec 18	18 Sep 19	22,00	37,13	22,34	-	61,548	-	-	61,548	-	-	1,374,982
Total						421,229	379,641	13,007	63,216	724,647	528,735	2,569,731	13,069,751
Casper Troskie													
Long-Term Incentive Plan													
2018 Tranche 1	18 Sep 18	18 Sep 21	29,80	37,13	22,34	-	100,671	-	-	100,671	-	-	1,349,394
2018 Tranche 2	18 Sep 18	18 Sep 22	29,80	37,13	22,34	-	100,671	-	-	100,671	-	-	1,349,394
2018 Tranche 3	18 Sep 18	18 Sep 23	29,80	37,13	22,34	-	100,672	-	-	100,672	-	-	1,349,407
2018 Special Grant Tranche 1	14 Dec 18	18 Sep 21	22,00	37,13	22,34	-	38,196	-	-	38,196	-	-	511,979
2018 Special Grant Tranche 2	14 Dec 18	18 Sep 22	22,00	37,13	22,34	-	38,196	-	-	38,196	-	-	511,979
2018 Special Grant Tranche 3	14 Dec 18	18 Sep 23	22,00	37,13	22,34	-	38,197	-	-	38,197	-	-	511,993
Deferred Short-Term Incentive													
2018			-	-	-	-	-	-	-	-	-	-	-
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	37,13	22,34	-	336	-	-	336	-	-	7,506
2018 Special Award	14 Dec 18	18 Sep 20	22,00	37,13	22,34	-	128	-	-	128	-	-	2,860
Buy-out Award													
2018	18 Sep 18	18 Sep 21	29,80	37,13	22,34	-	83,893	-	-	83,893	-	-	1,874,170
2018 Special Grant	14 Dec 18	18 Sep 21	22,00	37,13	22,34	-	31,831	-	-	31,831	-	-	711,105
Total						-	532,791	-	-	532,791	-	-	8,179,787

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

N: Directors' and Prescribed Officers' emoluments

Bonus share awards

2018						2018							
						Share Units				Value (Pre-Tax)			
Award Date	Vesting Date	Issue Price (ZAR)	2017 20 Day Year End VWAP (ZAR)	2018 20 Day Year End VWAP (ZAR)		Opening Balance on 1 Jan 2018 (Number)	Granted during 2018 (Number)	Lapsed during 2018 (Number)	Settled during 2018 (Number)	Closing Balance on 31 Dec 2018 (Number)	Value of Lapsed Awards During 2018 (ZAR)	Value of Settled Awards During 2018 (ZAR)	Estimated closing fair value on 31 Dec 2018 (ZAR)
Clarence Nethengwe													
Long-Term Incentive Plan													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	13,457	-	4,210	9,247	-	171,137	375,891	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	15,515	-	-	-	15,515	-	-	173,996
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	18,884	-	-	-	18,884	-	-	253,121
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	95,792	-	-	95,792	-	-	1,283,996
Deferred Short-Term Incentive													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	4,038	-	-	4,038	-	-	164,145	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	20,329	-	-	-	20,329	-	-	454,150
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	15,715	-	-	-	15,715	-	-	351,073
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	35,757	-	-	35,757	-	-	798,811
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	37,13	22,34	-	336	-	-	336	-	-	7,506
2018 Special Award	14 Dec 18	18 Sep 20	22,00	37,13	22,34	-	128	-	-	128	-	-	2,860
Managed Separation Incentive Plan													
2018	18 Sep 18	18 Sep 19	29,80	37,13	22,34	-	51,334	-	-	51,334	-	-	1,146,802
2018 Special Award	14 Dec 18	18 Sep 19	22,00	37,13	22,34	-	19,477	-	-	19,477	-	-	435,116
Discretionary Share Award													
2015 Tranche 1	9 Sep 15	9 Sep 18	40,03	37,13	22,34	23,274	-	-	23,274	-	-	23,274	-
2015 Tranche 2	9 Sep 15	9 Sep 19	40,03	37,13	22,34	23,274	-	-	-	23,274	-	-	519,941
2015 Tranche 3	9 Sep 15	9 Sep 20	40,03	37,13	22,34	23,274	-	-	-	23,274	-	-	519,941
Total						157,760	202,824	4,210	36,559	319,815	171,137	563,310	5,947,313
Clement Chinaka													
Long-Term Incentive Plan													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	35,730	-	11,177	24,553	-	454,345	998,079	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	50,257	-	-	-	50,257	-	-	563,616
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	61,916	-	-	-	61,916	-	-	829,922
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	93,131	-	-	93,131	-	-	1,248,328
Deferred Short-Term Incentive													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	30,316	-	-	30,316	-	-	647,853	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	34,644	-	-	-	34,644	-	-	773,947
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	28,395	-	-	-	28,395	-	-	634,344
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	39,068	-	-	39,068	-	-	872,779
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	37,13	22,34	-	336	-	-	336	-	-	7,506
2018 Special Award	14 Dec 18	18 Sep 20	22,00	37,13	22,34	-	128	-	-	128	-	-	2,860
Managed Separation Incentive Plan													
2018	18 Sep 18	18 Sep 19	29,80	37,13	22,34	-	53,332	-	-	53,332	-	-	1,191,437
2018 Special Award	14 Dec 18	18 Sep 19	22,00	37,13	22,34	-	20,235	-	-	20,235	-	-	452,050
Total						241,258	206,230	11,177	54,869	381,442	454,345	1,645,932	6,576,789

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

N: Directors' and Prescribed Officers' emoluments

Bonus share awards

2018						2018							
						Share Units				Value (Pre-Tax)			
Award Date	Vesting Date	Issue Price (ZAR)	2017 20 Day Year End VWAP (ZAR)	2018 20 Day Year End VWAP (ZAR)		Opening Balance on 1 Jan 2018 (Number)	Granted during 2018 (Number)	Lapsed during 2018 (Number)	Settled during 2018 (Number)	Closing Balance on 31 Dec 2018 (Number)	Value of Lapsed Awards During 2018 (ZAR)	Value of Settled Awards During 2018 (ZAR)	Estimated closing fair value on 31 Dec 2018 (ZAR)
Karabo Morule													
Long-Term Incentive Plan													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	13,370	-	4,182	9,188	-	169,998	373,492	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	49,500	-	-	-	49,500	-	-	555,127
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	59,966	-	-	-	59,966	-	-	803,784
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	101,113	-	-	101,113	-	-	1,355,319
Deferred Short-Term Incentive													
2015	17 Apr 15	17 Apr 18	43,10	37,13	22,34	18,306	-	-	18,306	-	-	744,139	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	26,739	-	-	-	26,739	-	-	597,349
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	21,817	-	-	-	21,817	-	-	487,392
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	37,580	-	-	37,580	-	-	839,537
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	37,13	22,34	-	336	-	-	336	-	-	7,506
2018 Special Award	14 Dec 18	18 Sep 20	22,00	37,13	22,34	-	128	-	-	128	-	-	2,860
Managed Separation Incentive Plan													
2018	18 Sep 18	18 Sep 19	29,80	37,13	22,34	-	100,883	-	-	100,883	-	-	2,253,726
2018 Special Award	14 Dec 18	18 Sep 19	22,00	37,13	22,34	-	38,277	-	-	38,277	-	-	855,108
Senior Black Management Plan													
2012	10 Apr 12	10 Apr 18	19,47	37,13	22,34	27,264	-	-	27,264	-	-	1,106,646	-
Discretionary Share Award													
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	25,000	-	-	-	25,000	-	-	558,500
Total						241,962	278,317	4,182	54,758	461,339	169,998	2,224,277	8,316,208
Peter Moyo													
Long-Term Incentive Plan													
2017	6 Sep 17	6 Sep 20	34,50	37,13	22,34	543,479	-	-	-	543,479	-	-	7,284,793
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	290,276	-	-	290,276	-	-	3,890,860
Deferred Short-Term Incentive													
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	54,690	-	-	54,690	-	-	1,221,775
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	29,80	37,13	22,34	-	336	-	-	336	-	-	7,506
2018 Special Award	14 Dec 18	18 Sep 20	22,00	37,13	22,34	-	128	-	-	128	-	-	2,860
Managed Separation Incentive Plan													
2018	18 Sep 18	18 Sep 19	29,80	37,13	22,34	-	227,140	-	-	227,140	-	-	5,074,308
2018 Special Award	14 Dec 18	18 Sep 19	22,00	37,13	22,34	-	86,180	-	-	86,180	-	-	1,925,261
Buy-out Award													
2017 Tranche 1	6 Sep 17	6 Sep 20	34,50	37,13	22,34	181,160	-	-	-	181,160	-	-	4,047,114
2017 Tranche 2	6 Sep 17	6 Sep 21	34,50	37,13	22,34	181,160	-	-	-	181,160	-	-	4,047,114
2017 Tranche 3	6 Sep 17	6 Sep 22	34,50	37,13	22,34	181,159	-	-	-	181,159	-	-	4,047,092
Total						1,086,958	658,750	-	-	1,745,708	-	-	31,548,682

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

N: Directors' and Prescribed Officers' emoluments

Bonus share awards

2018						2018							
Award Date	Vesting Date	Issue Price (ZAR)	2017 20 Day Year End VWAP (ZAR)	2018 20 Day Year End VWAP (ZAR)	Share Units				Value (Pre-Tax)				
					Opening Balance on 1 Jan 2018 (Number)	Granted during 2018 (Number)	Lapsed during 2018 (Number)	Settled during 2018 (Number)	Closing Balance on 31 Dec 2018 (Number)	Value of Lapsed Awards During 2018 (ZAR)	Value of Settled Awards During 2018 (ZAR)	Estimated closing fair value on 31 Dec 2018 (ZAR)	
David Macready													
Long-Term Incentive Plan													
2015	9 Sep 15	9 Sep 18	40,03	37,13	22,34	120,069	-	37,563	82,506	-	1,098,718	2,413,301	-
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	147,657	-	-	-	147,657	-	-	1,655,926
2017	29 Mar 17	29 Mar 20	35,00	37,13	22,34	175,500	-	-	-	175,500	-	-	2,352,402
2018	19 Apr 18	19 Apr 21	41,34	37,13	22,34	-	156,015	-	-	156,015	-	-	2,091,225
Deferred Short-Term Incentive													
2016	14 Mar 16	14 Mar 19	40,00	37,13	22,34	109,051	-	-	-	109,051	-	-	2,436,199
Broad-Based Employee Share Plan													
2018	18 Sep 18	1 Apr 19	29,80	37,13	22,34	-	336	-	-	336	-	-	7,506
2018 Special Award	14 Dec 18	1 Apr 19	22,00	37,13	22,34	-	128	-	-	128	-	-	2,860
Managed Separation Incentive Plan													
2018	18 Sep 18	1 Apr 19	29,80	37,13	22,34	-	211,674	-	-	211,674	-	-	4,728,797
2018 Special Award	14 Dec 18	1 Apr 19	22,00	37,13	22,34	-	80,312	-	-	80,312	-	-	1,794,170
Sign-on Award													
2015	09 Sep 15	09 Sep 18	40,03	37,13	22,34	139,212	-	-	139,212	-	-	-	4,071,951
Total						691,489	448,465	37,563	221,718	880,673	1,098,718	6,485,252	15,069,085
Jonas Mushosho													
Long-Term Incentive Plan													
2015	19 Apr 15	19 Apr 18	-	2,81	1,58	31,741	-	9,929	21,812	-	34,255	72,251	-
2016	14 Mar 16	14 Mar 19	2,54	2,81	1,58	46,054	-	-	-	46,054	-	-	43,659
2017	6 Sep 17	6 Sep 20	2,67	2,81	1,58	67,322	-	-	-	67,322	-	-	63,821
2018	19 Apr 18	19 Apr 21	3,45	2,81	1,58	-	100,456	-	-	100,456	-	-	95,232
Deferred Short-Term Incentive													
2015	17 Apr 15	17 Apr 18	1,09	2,81	1,58	119,072	-	-	119,072	-	129,836	-	-
2016	1 Apr 16	1 Apr 19	0,82	2,81	1,58	189,238	-	-	-	189,238	-	-	298,996
Broad-Based Employee Share Plan													
2018	18 Sep 18	18 Sep 20	2,00	2,81	1,58	-	336	-	-	336	-	-	531
2018 Special Award	14 Dec 18	18 Sep 20	1,55	2,81	1,58	-	128	-	-	128	-	-	531
Managed Separation Incentive Plan													
2018	18 Sep 18	18 Sep 19	2,00	2,81	1,58	-	159,908	-	-	159,908	-	-	252,655
2018 Special Award	14 Dec 18	18 Sep 19	1,55	2,81	1,58	-	60,672	-	-	60,672	-	-	95,862
Total						453,427	321,500	9,929	140,884	624,114	164,091	72,251	851,286

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

N: Directors' and Prescribed Officers' emoluments

Non-executive directors	2019	2018
Trevor Manuel (Chairman)	5,029,402	7,059,658
Paul Baloyi	1,359,535	1,142,577
Peter de Beyer	2,712,992	2,971,121
Matthys du Toit	1,240,369	834,000
Albert Essien	1,191,764	845,119
Itumeleng Kgaboesele	1,408,959	1,109,165
Ingrid Johnson	–	–
John Lister	4,083,520	2,632,080
Sizeka Magwentshu-Rensburg	1,516,865	1,280,610
Nombulelo Moholi	1,276,472	1,351,291
Thoko Mokgosi-Mwantembe	1,320,185	1,272,955
Nosipho Molope	1,909,775	1,287,674
James Mwangi	1,194,371	894,765
Marshall Rapiya	1,211,518	1,249,307
Stewart van Graan	1,449,637	1,058,930
Vassie Naidoo (Resigned 31 December 2018)	–	1,495,333
Ignatius Sehoole (Resigned 8 October 2018)	–	1,340,140
	26,905,365	27,824,725

The above amounts are shown exclusive of VAT.



OLDMUTUAL

COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2019



DO GREAT THINGS EVERY DAY

Statement of comprehensive income

For the year ended 31 December 2019

Rm	Notes	Year ended 31 December 2019	Period ended 31 December 2018
Revenue			
Investment income	3	8,690	53,289
Other income		1	-
Expenses			
Impairment of investments in group subsidiaries	4	(977)	(40,756)
Operating and administration expenses	5	(238)	(100)
Profit before tax		7,476	12,433
Income tax expense	6	(37)	(13)
Profit after tax for the financial year		7,439	12,420
Total comprehensive income		7,439	12,420

Statement of financial position

For the year ended 31 December 2019

Rm	Notes	Year ended 31 December 2019	Period ended 31 December 2018
Assets			
Non-current assets			
Investments in group subsidiaries	7	103,992	105,029
Current assets			
Other receivables	8	2	9
Cash and cash equivalents	9	581	2,515
Total assets		104,575	107,553
Liabilities			
Current liabilities			
Amounts due to group company	10	49	56
Other payables	11	184	123
Current tax payable		-	4
Total liabilities		233	183
Net assets		104,342	107,370
Equity			
Share capital	13	85	89
Retained earnings		7,243	5,388
Reorganisation reserve		97,014	101,893
Total equity		104,342	107,370

Statement of changes in equity

For the year ended 31 December 2019

31 December 2019 Rm	Note	Share capital	Reorganisation reserve ¹	Retained earnings	Total equity
Shareholders' equity at beginning of year		89	101,893	5,388	107,370
Profit after tax for the financial year		–	–	7,439	7,439
Total comprehensive income for the financial year		–	–	7,439	7,439
Transactions with the owners of the Company:					
Dividends paid ²		–	–	(5,567)	(5,567)
Share buyback	13	(4)	(4,879)	(17)	(4,900)
Transactions with shareholders		(4)	(4,879)	(5,584)	(10,467)
Shareholders' equity at end of year		85	97,014	7,243	104,342
31 December 2018 Rm	Note	Share capital	Reorganisation reserve¹	Retained earnings	Total equity
Shareholders' equity at beginning of period		–	–	–	–
Profit after tax for the financial period		–	–	12,420	12,420
Total comprehensive income for the financial period		–	–	12,420	12,420
Transactions with the owners of the Company:					
Dividends paid ³		–	–	(7,032)	(7,032)
Acquisition of Old Mutual plc	13	89	140,760	–	140,849
Distribution of Nedbank		–	(38,867)	–	(38,867)
Transactions with shareholders		89	101,893	(7,032)	94,950
Shareholders' equity at end of period		89	101,893	5,388	107,370

¹ The reorganisation reserve arose on 26 June 2018, in terms of a UK court scheme of arrangement having the effect of inserting the Company as a new holding company above the Old Mutual plc Group. As Old Mutual plc remains within the Old Mutual Limited Group and in terms of predecessor accounting, R89 million has been allocated to share capital. This represents the share capital of Old Mutual plc before the reorganisation. The remainder of the investment in Old Mutual plc has been allocated to the reorganisation reserve within equity, and represents the reserves of the previous Old Mutual plc Group. In preparation of the Old Mutual Limited Group financial statements, this reserve will eliminate and be replaced by the Group's reserves.

² 2018 Final dividend paid of 72c per share on 29 April 2019 and 2019 Interim dividend paid of 45c per share on 31 October 2019.

³ 2018 interim dividend and special dividend paid of 45c and 100c per share respectively on 16 October 2018.

Statement of cash flows

For the year ended 31 December 2019

Rm	Notes	Year ended 31 December 2019	Period ended 31 December 2018
Cash flows from operating activities			
Profit before tax		7,476	12,433
Non-cash movements and adjustments to profit before tax	12.1	(7,696)	(12,533)
Changes in working capital	12.2	68	132
Interest received		125	40
Dividends received		8,608	9,428
Tax paid		(41)	(9)
Net cash generated from operating activities		8,540	9,491
Cash flows from financing activities			
Repayment of intercompany loan		(7)	–
Proceeds from intercompany loan		–	56
Share buyback		(4,900)	–
Dividends paid to Company's shareholders		(5,567)	(7,032)
Net cash utilised in financing activities		(10,474)	(6,976)
Net (decrease)/increase in cash and cash equivalents		(1,934)	2,515
Cash and cash equivalents at beginning of year		2,515	–
Cash and cash equivalents at end of year		581	2,515

Notes to the company financial statements

For the year ended 31 December 2019

1. Accounting policies

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB, including interpretations to IFRS as issued by the IFRS interpretations committee, IFRIC. The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE listings Requirements and the requirements of the Companies Act, no 71 of 2008 (Companies Act).

Basis of preparation

The financial statements provide information about the financial position of the Company and have been prepared under the historical cost convention. The accounting policies applied have been consistently applied to all periods presented, except for the adoption of IFRS 16 leases and IFRIC 23 uncertainty over income tax treatments, which were implemented in 2019.

The Company's presentation currency is South African rand and all amounts are presented in millions of rands.

The Company is a company incorporated in South Africa. On 25 June 2018, the Company became the parent of Old Mutual plc through a share for share exchange, with the Company receiving the entire net asset value of Old Mutual plc, the original parent company of Old Mutual Limited and its subsidiaries, in exchange for the issue of ordinary shares of the Company to the original shareholders of Old Mutual plc. This was a reorganisation of the existing Group and, although there was a change in legal ownership, there was no change in the economic substance of the reporting entity.

Comparative information

On 7 March 2018, the Company changed its year end from January to December to align its year-end with the reporting date of the Group. The amounts presented in the financial statements are therefore not entirely comparable.

1.2 Share Capital

Ordinary share capital is classified as equity if it is non-redeemable by the shareholder and any dividends are discretionary.

1.3 Investments in group subsidiaries

The Company's interest in its subsidiaries and associates is accounted for at cost less impairment in accordance with IAS 27, Separate Financial Statements. The Company's interest in subsidiaries was acquired as a consequence of Managed Separation.

1.4 Revenue

Revenue includes investment income which comprises dividend and interest income.

Dividend income

Dividend income is recognised when the right to receive payment is established on the ex-dividend date as investment income.

Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method taking into account the expected timing and amount of cash flows. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

1.5 Foreign currency translation

Transactions in foreign currencies are converted into the functional currency at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at rates of exchange ruling at the balance sheet date. Exchange gains and losses on the translation and settlement of foreign currency monetary assets and liabilities during the period are recognised in profit or loss.

1.6 Taxation

The income tax charge for the year comprises current tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

1.7 Financial instruments

Financial instruments comprise of other receivables, cash and cash equivalents, amounts due to group company and payables.

1. Accounting policies

1.7 Financial instruments

1.7.1 Classification and measurement of financial assets and financial liabilities

Initial recognition of financial assets

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair Value through Other Comprehensive Income (FVOCI) which may include debt or equity instruments; or
- Fair Value through Profit or Loss (FVTPL)

Transaction costs that are directly attributable to the acquisition of financial assets are expensed in profit or loss for financial assets initially classified at FVTPL. For financial assets not classified at FVTPL, transaction costs are added from the fair value at initial recognition.

Initial recognition of financial liabilities

On initial recognition financial liabilities are measured at fair value plus or minus in the case of financial liabilities not classified at FVTPL, transaction costs that are incremental and directly attributable to the issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

Subsequent measurement of financial assets

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Subsequent measurement of financial liabilities

These liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign currency exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

1.7.2 Impairment of financial assets

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD).

Company's assessment

The Company has elected to apply the IFRS 9 simplified approach in measuring expected credit losses. This uses a provision matrix when determining the lifetime expected loss allowance for all trade receivables. The impairment loss based on the ECL calculations were immaterial.

1.8 New standards and interpretations

The Company has adopted the following standards for the first time in the annual reporting period commencing 1 January 2019:

- IFRS 16: Leases
- IFRIC 23: Uncertainty over Income Tax Treatments

The adoption of these standards did not have any material impact on the current or prior period.

For standards issued and not yet effective, refer to the Group set of financial statements.

Notes to the company financial statements

For the year ended 31 December 2019

2 Statement of financial position – assets and liabilities

Categories of financial instruments

The analysis of assets and liabilities into their categories as defined in IFRS 9 'Financial Instruments' is set out in the table below. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category.

31 December 2019 Rm	Amortised cost	Non-financial assets and liabilities	Total
Assets			
Investment in group subsidiaries	–	103,992	103,992
Other receivables	2	–	2
Cash and cash equivalents	581	–	581
Total assets	583	103,992	104,575
Liabilities			
Amount due to group company	49	–	49
Other payables	184	–	184
Total liabilities	233	–	233

31 December 2018 Rm	Amortised cost	Non-financial assets and liabilities	Total
Assets			
Investment in group subsidiaries	–	105,029	105,029
Other receivables	9	–	9
Cash and cash equivalents	2,515	–	2,515
Total assets	2,524	105,029	107,553
Liabilities			
Amount due to group company	56	–	56
Other payables	123	–	123
Current tax payable	–	4	4
Total liabilities	179	4	183

Fair values of financial assets and liabilities

(a) Determination of fair value

The fair values of financial assets and liabilities at amortised cost (comprising cash and cash equivalents, other receivables, amount due to group company and other payables) reasonably approximate their carrying amounts as included in the statement of financial position as they are short-term in nature or re-priced to current market rates frequently.

3 Investment income

Rm	Year ended 31 December 2019	Period ended 31 December 2018
Dividend income – cash		
Dividend income from subsidiaries – local	6,085	4,747
Dividend income from subsidiaries – foreign	2,523	4,681
Dividend income – in specie		
Dividend income from subsidiaries – local	–	40,017
Dividend income from subsidiaries – foreign	–	4,936
Interest income		
Cash and cash equivalents	125	49
Foreign exchange (losses)/gains		
	(17)	8
Realised loss		
Disposal of group subsidiary	(26)	(1,149)
	8,690	53,289

4 Impairment of investments in group subsidiaries

Rm	Year ended 31 December 2019	Period ended 31 December 2018
Old Mutual Finance (USD) Limited	–	739
Old Mutual International (Guernsey) Limited	58	–
Old Mutual Group(UK) Limited	596	–
Old Mutual Business Services Limited	310	–
Fairbairn Investments (UK) Limited	13	–
Old Mutual Group Holdings (SA) (Pty) Limited	–	40,017
	977	40,756

During the current year the Company has received dividends from its subsidiaries, these dividends have resulted in the a reduction of the recoverable amount and recognition of an impairment on the investment in subsidiaries.

5 Operating and administration expenses

Rm	Year ended 31 December 2019	Period ended 31 December 2018
Operating and administration expenses include:		
Statutory audit services current year	86	61
Administration costs	59	11
Directors' emoluments	29	8
Professional fees	64	20
	238	100

Notes to the company financial statements

For the year ended 31 December 2019

6 Income tax expense

Rm	Year ended 31 December 2019	Period ended 31 December 2018
South African taxation		
Normal tax – current year	35	13
– prior year	2	-
	37	13

Rm	Year ended 31 December 2019	Period ended 31 December 2018
Reconciliation of taxation rate on profit before tax		
Profit before tax	7,476	12,433
Tax at South African standard rate of 28%	2,093	3,481
Untaxed income – dividends	(2,410)	(93,897)
Disallowable expenses	352	90,429
Adjustments to current tax in respect of prior year	2	-
	37	13

The majority of the Company's income relates to dividends received which is exempt for tax purposes. Expenses that are deductible is apportioned accordingly.

7 Investments in group subsidiaries

Rm	Year ended 31 December 2019	Period ended 31 December 2018
Unlisted - subsidiaries (all held at 100%)		
Balance at beginning of the year	105,029	-
Additions	-	426,740
Impairment loss	(977)	(321,711)
Disposal ¹	(60)	-
Balance at end of the year	103,992	105,029
Closing balance consists of:		
Fairbairn Investments (UK) Limited ³	141	154
L&S Properties Limited ¹	-	60
Marriott Isle of Man Limited	48	48
Old Mutual Business Services Limited ³	425	735
Old Mutual Group Holdings (SA) (Pty) Limited	102,289	102,289
Old Mutual Group (UK) Limited ³	747	1,343
Old Mutual International (Guernsey) Limited ³	108	166
OM Residual UK Limited ^{2,3}	234	234
	103,992	105,029

¹ On 22 May 2019, the Company disposed of its interest in L&S Properties Ltd realising a loss on disposal of R26 million as disclosed in note 3.

² During the year under review, a group subsidiary Old Mutual plc changed its name to OM Residual UK Limited.

³ Incorporated in the United Kingdom

8 Other receivables

Rm	Year ended 31 December 2019	Period ended 31 December 2018
Accrued interest on cash and cash equivalents	2	9

The fair value of other receivables approximates their carrying amount, as the impact of discounting is not significant.

9 Cash and cash equivalents

Rm	Year ended 31 December 2019	Period ended 31 December 2018
Cash at bank and in hand	2	44
Short-term deposits	579	2,471
	581	2,515

The fair value of cash and cash equivalents approximates their carrying amount, as the impact of discounting is not significant.

10 Amounts due to group company

Rm	Year ended 31 December 2019	Period ended 31 December 2018
Old Mutual Life Assurance Company (South Africa) Limited	49	56

The loan is unsecured, interest-free and was not subject to fixed terms of repayment. The fair value of amount due to group company approximates their carrying amount, as the impact of discounting is not significant.

11 Other payables

Rm	Year ended 31 December 2019	Period ended 31 December 2018
Audit fees	50	42
Shareholders' unclaimed dividends	121	81
Other	13	-
	184	123

The fair values of other payables approximates their carrying amount, as the impact of discounting is not significant.

12 Notes to the statement of cash flows

12.1 Non-cash movements and adjustments to profit before tax

Rm	Year ended 31 December 2019	Period ended 31 December 2018
Dividend income	8,608	54,381
Interest income	125	49
Foreign exchange (losses)/gains	(17)	8
Share buyback expenses	(17)	-
Realised loss ¹	(26)	(1,149)
Impairment of investments in group subsidiaries	(977)	(40,756)
	7,696	12,533

¹ Disposal of group subsidiary.

Notes to the company financial statements

For the year ended 31 December 2019

12 Notes to the statement of cash flows

12.2 Changes in working capital

Rm	Year ended 31 December 2019	Period ended 31 December 2018
Decrease in other receivables	7	9
Increase in other payables	61	123
	68	132

13 Share capital

Rm	Year ended 31 December 2019	Period ended 31 December 2018
Authorised share capital		
10,000 million (2018: 10,000 million) no par value shares	-	-
Issued share capital		
4,709 million (2018: 4,942 million) no par value ordinary shares	85	89

Share buybacks

During the year ended 31 December 2019, the Company repurchased 233,494,706 of its issued ordinary shares on the Johannesburg Stock Exchange (JSE) as part of two separate share repurchase programmes announced on 11 March 2019 and 2 September 2019 respectively.

The first tranche of share buybacks concluded on 21 May 2019. The aggregate number of shares repurchased amounted to 110,783,507 at prices ranging between 2,118 cents and 2,399 cents per share, resulting in a total cash outflow of R2.5 billion.

The second tranche of share buybacks concluded on 8 October 2019. The aggregate number of shares repurchased amounted to 122,711,199 at prices ranging between 1,767 cents and 2,019 cents per share, resulting in a total cash outflow of R2.4 billion.

The repurchased shares have been cancelled as issued shares and have reverted back to authorised but unissued share capital status.

Unissued shares

Unissued shares are under the control of the directors until the forthcoming annual general meeting.

14 Financial risk and capital management

The Company is exposed to financial risk through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its financial liabilities. The most important components of financial risk that are relevant to the Company are market risk, liquidity risk and credit risk.

Capital adequacy

Capital is actively managed to ensure that the Group is properly capitalised and funded at all times, having regard to its regulatory needs, prudent management and the needs of all stakeholders. The group has a business planning process that runs on an annual cycle with regular updates to projections. It is through this process, which includes risk and sensitivity analyses of forecasts, and the operations of the Capital Management Committee (CMC) that the Group's capital is managed.

The CMC is a sub-committee of the Executive Committee, established to set an appropriate framework and guidelines to ensure the appropriate management of capital, to allocate capital to the various businesses, and to monitor return on allocated capital for each business relative to the agreed hurdle. The CMC comprises the Executive Directors together with certain executives and senior managers. Meetings are held as regularly as circumstances require, not less than half-yearly, and approve requests for capital that are outside the business plans.

Sensitivities

The Company has both qualitative and quantitative risk management procedures to monitor the key risks and sensitivities of the business. This is achieved through stress tests, scenario analyses and risk assessments. From an understanding of the principal risks, appropriate risk limits and controls are defined.

14 Financial risk and capital management

For further details of the management of specific financial risks, refer to the relevant sections of this note.

Credit risk

Credit and Counterparty Risk refers to the risk of loss, or of adverse change in the financial situation resulting from fluctuations in the credit standing of issuers of securities, counterparties and any other debtors to which the Company is exposed, in the form of counterparty default risk, or spread risk, or credit risk concentrations.

The Old Mutual Group has adopted a consistent, Group-wide approach to Enterprise Risk Management that conforms to good practice. The approach includes the articulation of minimum Principles and Standards as set out in Group risk policies.

Credit risk management is primarily managed by the relevant business unit, as line 1 of defence, with Balance Sheet Management playing a strategic line 1 role, at Group level. Group Risk plays a line 2 oversight role.

Included in both the CMC and Executive Risk Committee ("ERC") are respective responsibilities for credit risk management, with the CMC largely playing a line 1 role, and ERC a line 2 role. Where necessary, all reports are escalated to the relevant Board committees.

Maximum exposure to credit risk Rm	Credit rating	Year ended 31 December 2019	Period ended 31 December 2018
Other receivables	Unrated	2	9
Cash and cash equivalents		581	2,515
		583	2,524

There are no assets which are past due or impaired.

Rm	Credit rating	Year ended 31 December 2019	Period ended 31 December 2018
ABSA Limited	AA+	181	1,200
Nedbank Limited	BBB-	29	515
The Standard Bank of South Africa Limited	BB+	371	800
		581	2,515

Market risk

Market risk is the potential impact on earnings of unfavourable changes in foreign exchange rates and interest rates on its financial position, financial performance and cash flows.

Currency risk

The Company's exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its cash flows is immaterial at the reporting date.

The Company has investments in subsidiaries whose functional currency is Pound sterling, whereas the functional currency of the Company is Rand. These investments are held at cost.

The Company is also exposed to foreign exchange risk through its foreign dividend payments in Pound sterling. The Company's treasury risk management policy is to take out forward exchange contracts to cover exposures.

The Company's exposure to currency risk is analysed below:

31 December 2018 Rm	Pound sterling
Cash and cash equivalents	10,855
Exchange rate (rand)	
Closing rate:	18,2978
Average rate:	17,6892

Notes to the company financial statements

For the year ended 31 December 2019

14 Financial risk and capital management

Sensitivity analysis table:

R'000	Balance at 31/12/2018	10% strengthening of ZAR	10% weakening of ZAR
Cash and cash equivalents	199	(20)	19
Profit before tax impact	12,433	20	(19)

The Company's exposure to currency risk in the current year is immaterial.

Interest rate risk

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the Company's earnings and the value of its assets and liabilities.

The Company is exposed to interest rate risk through its cash balances held. The effective interest rate on the cash is 6%, cash on call is 6.55% and notice deposit is 7.3%.

Should the interest rate increase or decrease by 1%, the profit before tax will increase by R1.3m or decrease by R1.3 million respectively.

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's executive committee is responsible for the effective management of liquidity risk by putting the appropriate structure and processes in place. The Risk Committee of the board is responsible for reviewing the adequacy and effectiveness thereof.

The following table analyses the Company's maturity profile of financial liabilities:

31 December 2019 Rm	<1 year	1 – 5 years	Total
Amounts due to group company	49	–	49
Other payables	62	121	183
	111	121	232

31 December 2018 Rm	<1 year	1 – 5 years	Total
Amounts due to group company	56	–	56
Other payables	42	81	123
	98	81	179

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk of damage to the Company's reputation.

15 Commitments

Enterprise development commitments

In accordance with the Framework Agreement entered into in relation to Managed Separation concluded with the Department of Economic Development (the Framework Agreement), the Group has undertaken that, in addition to its existing enterprise development programs, it shall, over a period of three years following the Managed Separation Implementation Date, allocate an incremental amount of R500 million to a ring-fenced perpetual Enterprise Supplier Development Fund (the Fund). Funding extended by the Fund is intended and anticipated to generate additional jobs in the Company Ecosystem. The Group's participation in the Fund shall be managed and administered by a specially created function with oversight from the office of the CEO, which function shall also be responsible for the measurement of compliance by the Group with the Amended FSC and the Group's broader commitment to transformation in South Africa.

Although the fund is developmental in nature, it is management's intention and belief that, in aggregate, the Group will return a profit on the instruments used to meet the requirements of the Framework Agreement. Nevertheless, as with any commitment to advance funding, the Group will be subject to credit and counterparty risk in relation to this arrangement. This risk will be assessed as funds are advanced, expected credit losses will be calculated, and appropriate provisions for impairment will be raised.

During the current financial year, R30 million has been distributed through loan funding mechanisms and two tranches of equity investments have been made to the value of R50 million.

Black economic empowerment

The Company undertook to ensure that black economic empowerment shareholding is at least 25% of issued share capital of the Group within 3 years from the implementation date of the transaction. In addition the Company undertook to ensure that the effective black economic empowerment shareholding in the Company shall, within 5 years of the implementation date, not be less than the effective black economic shareholding of the best empowered peer company at the implementation date.

16 Related parties

Key management personnel and their close members of family and entities which they control, jointly control or over which they exercise significant influence are considered related parties to the Company. The Company's directors, as listed in the directors' report, are considered to be key management personnel of the Company.

The Company's principal interest in subsidiaries and the amounts due to another group company are disclosed in note 7 and 10. Transactions with directors are disclosed in note 20.

Transactions with related parties

The following transactions were entered into with related parties:

31 December 2019 Rm	Other group company	Direct subsidiaries
Statement of comprehensive income		
Interest income	–	–
Dividend income	–	8,608
Foreign exchange loss	–	–
Impairment of investments in subsidiaries	–	977
Administration costs	(20)	–
Loss on disposal of subsidiary	–	(26)

31 December 2018 Rm	Other group company	Direct subsidiaries	Associate
Statement of comprehensive income			
Interest income	–	–	43
Dividend income	–	54,381	–
Foreign exchange gains	–	–	8
Fair value loss	–	–	(1,149)
Impairment of investments in subsidiaries	–	(40,756)	–
Administration costs	(1)	–	–
Statement of financial position			
Other receivables: Accrued interest	–	–	3
Cash and cash equivalents	–	–	515

Notes to the company financial statements

For the year ended 31 December 2019

17 Events subsequent to reporting date

There were no events that occurred subsequent to the reporting date that require disclosure or adjustment to these financial statements.

18 Going concern

The Board has satisfied itself that the Company has adequate resources to continue in operation for the foreseeable future. The Company's financial statements have accordingly been prepared on a going concern basis.

19 Guarantee

OML entered into a subordinated note holder guarantee in terms of which it irrevocably and unconditionally agrees to bind itself as a guarantor for due and punctual performance of all obligations that Old Mutual Life Assurance Company (South Africa) may incur under its Amended and Restated Domestic Medium Term Note programme.

20 Directors' emoluments

Rm	31/12/2019	31/01/2018
Total expense for the period	27	12

For detailed analysis of directors emoluments refer to the Old Mutual Limited Consolidated Financial Statements.

Share ownership

At 31 December 2019

Public and non-public shareholding of ordinary shares

At 31 December 2019	Number of shareholders	% of shareholders	Number of shares	% of ordinary shares
Public	460,671	96.78%	4,557,113,062	96.78%
Non-public	30	3.22%	151,440,587	3.22%
Directors and associates	8	0.06%	1,974,339	0.04%
Employee Share Trusts	12	1.87%	87,905,926	1.87%
Black Economic Empowerment Trusts	9	1.15%	54,286,407	1.15%
Restricted	1	0.15%	7,273,915	0.15%

Major Shareholders

Pursuant to Section 56(7) of the Companies Act, the following beneficial shareholdings equal to or exceeding 5% as at 31 December 2019 are disclosed:

	Number of shares	% of ordinary shares
Public Investment Corporation	769,183,623	17.25%
Allan Gray	489,302,937	10.39%

Major categories of shareholders

	Number of shares	% of total
Fund managers	2,660,895,025	56.51
Government bodies	914,858,339	19.43
Private investors	540,164,886	11.47
Pension funds	114,563,045	2.43
Brokers	112,990,065	2.40
Hedge funds	62,073,184	1.32

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