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Contacts

Board of Directors:
K Ntozini
N M O Hlophe

Company Secretary:
P Forsythe

Registered office:
5th Floor
Millennium Bridge House,
2 Lambeth Hill
London
EC4V 4GG

Registered no.:
England and Wales 5457445

Public Officer:
H Daware

Auditor:
KPMG LLP
Registered Auditor
15 Canada Square
London E14 5GL

Directors' Report

The Directors of Education SPV Limited ("the Company") have pleasure in submitting their report on the annual financial statements for the year ended 31 December 2014.

Business activities

The principal activity of the Company is acting as an investment holding company.

Company registration number

The Company is registered in England and Wales with registration number 5457445.

Results of operations

The operating results and financial position of the Company are set out in the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes.

The financial statements of the Company can be obtained from Old Mutual (OM) plc, 5th floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG, United Kingdom.

The profit before tax of the Company was R47 778 000 (2013: R150 408 000).

Share capital

There was no change in the authorised or issued share capital of the Company in the current year.

Holding Trust

The Old Mutual Education Trust is the ultimate beneficial owner of the entire issued share capital of the Company.

Principal Risks and Uncertainties

The principal risks and uncertainties of the Company arise from the ability of its investments to continue to pay dividends to the Company and any impairment of the valuation of these investments.

Key Performance Indicators ("KPIs")

The Company's Directors are of the opinion that the KPIs for the Company are best represented by the results set out in the statement of comprehensive income on page 6.

Dividends

During the current year dividends of R20 041 101 were paid (2013: R14 166 435).

Political and Charitable Contributions

The Company made no political or charitable donations and incurred no political expenditure during the year.

Indemnity Insurance

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Strategic Report

The Company applied its exemption as a small business to not disclose a Strategic Report.

Directors' Report (continued)

Events subsequent to the reporting date

In May 2015 the Company sold shares in order to settle the final cash payment towards their subscription for ordinary shares as set out in note 7. This liability was settled in May 2015.

Financial risk management and exposure

The Company's financial risk management objectives and policies, as well as the exposure of the Company to price risk, credit risk, liquidity risk and cash flow risk are set out in note 17.

Going concern

Post the settlement of the Old Mutual plc debt, the Company has sufficient assets to settle its liabilities as and when they become due in the ordinary course of business.

The Company has not made any formal decision regarding the future of the Company, post the settlement of the Old Mutual debt, and expects the Company to be a going concern in the year ahead.

Directors

The Directors currently holding office are:

K Ntozini
NMO Hlophe

No remuneration was payable to the Directors during the year.

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Paul Forsythe
Company Secretary
Date: 31/7/15

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of Education SPV Limited

We have audited the financial statements of Education SPV Limited for the year ended 31 December 2014 set out on pages 6 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we required for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Jonathan Holt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 30.09.15

Statement of comprehensive income

for the year ended 31 December 2014

R' 000	*Notes*	*2014*	*2013*
Revenue			
Investment income	5	**47 246**	159 494
Profit before tax		**47 246**	159 494
Income tax credit/(expense)	6	**532**	(9 086)
Profit for the financial year		**47 778**	150 408
Other comprehensive income		**-**	-
Total comprehensive income		**47 778**	150 408

The notes on pages 10 to 23 form part of these financial statements.

Statement of financial position

at 31 December 2014

R' 000	*Notes*	*2014*	*2013*
Assets			
Derivative instruments	*7*	**257 634**	230 431
Current tax receivable		**-**	251
Amounts due by Group company	*10*	**45**	-
Cash and cash equivalents	*8*	**501**	501
Total assets		**258 180**	231 183
Liabilities			
Deferred tax liability	*9*	**8 752**	9 286
Amounts due to Group company	*10*	**-**	220
Current tax payable		**14**	-
Total liabilities		**8 766**	9 506
Net assets		**249 414**	221 677
Shareholders' equity			
Share capital	*11*	**-**	-
Retained earnings		**249 414**	221 677
Total shareholders' equity		**249 414**	221 677

The notes on pages 10 to 23 form part of these financial statements.

The financial statements as set out on pages 6 to 23 were approved by the Board of Directors on 31/07/ 2015, and are signed on its behalf by :

KNTOZINI

K Ntozini
Director

Statement of changes in equity

for the year ended 31 December 2014

R' 000

2014	Share capital	Retained earnings	Total
Shareholders' equity at beginning of year	-	221 677	221 677
Profit for the financial year	-	47 778	47 778
Other comprehensive income	-	-	-
Total comprehensive income	-	47 778	47 778
Dividends paid	-	(20 041)	(20 041)
Shareholders' equity at end of year	-	249 414	249 414

2013	Share capital	Retained earnings	Total
Shareholders' equity at beginning of year	-	85 435	85 435
Profit for the financial year	-	150 408	150 408
Other comprehensive income	-	-	-
Total comprehensive income	-	150 408	150 408
Dividends paid	-	(14 166)	(14 166)
Shareholders' equity at end of year	-	221 677	221 677

Statement of cash flows

for the year ended 31 December 2014

R' 000	Notes	2014	2013
Cash flows from operating activities			
Profit before tax		**47 246**	159 494
Non-cash movements and adjustments to profit before tax	*15.1*	**(47 246)**	(159 494)
Changes in working capital	*15.2*	**(265)**	1
Dividends received		**50 103**	35 416
Interest received		**7**	5
Taxation refunded/(paid)	*15.3*	**263**	(-2)
Net cash from operating activities		**50 108**	35 420
Cash flows used in financing activities			
Cash advanced against contributions		**(30 067)**	(21 254)
Dividends paid		**(20 041)**	(14 166)
Net cash used in financing activities		**(50 108)**	(35 420)
Net decrease in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of year		**501**	501
Cash and cash equivalents at end of year	*8*	**501**	501

Notes to the annual financial statements

for the year ended 31 December 2014

1 General information

The Company operates as an investment holding company.

2 Accounting policies

2.1 *Statement of compliance*

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as adopted by the European Union (EU) and in accordance with the requirements of the Companies Act, 2006. The accounting policies applied are consistent with those of the previous year.

2.2 *Basis of preparation*

The financial statements have been prepared based on and in compliance with IFRS as adopted by the EU and are presented in South African Rand, the Company's functional currency.

The financial statements provide information about the financial position, results of operations and changes in financial position of the Company. They have been prepared under historical cost convention, as modified by the financial assets and financial liabilities at fair value through profit or loss.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 7.

Post the settlement of the Old Mutual plc, the Company has sufficient assets to settle its liabilities as and when they become due in the ordinary course of business.

The Company has not made any formal decision regarding the future of the Company, post the settlement of the Old Mutual debt, and expects the Company to be a going concern in the year ahead.

2.3 *Revenue*

Revenue comprises investment income, which includes dividend income, interest income and net fair value gains and losses on derivative instruments and is accounted for in accordance with the particular accounting policies as set out below.

Dividends

Dividends are recognised as income on the ex-dividend date.

Interest

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.

2.4 *Taxation*

Income tax charge for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

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 any adjustment to tax payable in respect of previous years.

Deferred taxation is recognised in respect of temporary 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. Deferred taxation is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in other comprehensive income. The effect on deferred taxation of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to other comprehensive income.

Notes to the annual financial statements

for the year ended 31 December 2014

2 Accounting policies *(continued)*

2.4 Taxation (continued)

Deferred tax is not recognised on temporary differences that arise from:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction that is not a business combination which, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and
- temporary differences associated with investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised 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.

2.5 Financial instruments

Recognition and de-recognition of financial instruments

Financial instruments are recognised when, and only when, the Company becomes a party to the contractual provisions of the particular instrument.

The Company de-recognises a financial asset when and only when:

- The contractual rights to the cash flows arising from the financial asset have expired or been forfeited by the Company; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability is de-recognised when and only when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired.

The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Fair value measurement considerations

The fair values of quoted financial assets are based on (quoted) bid prices. If the market for a financial asset is not active, the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

To the extent that the fair values of unlisted equity instruments cannot be measured reliably, such instruments are measured at cost less impairments. These impairment are not subsequently reversed.

Derivative instruments

Investments in derivative instruments are classified as financial assets at fair value through profit or loss. Net fair value gains and losses are recognised in profit or loss for the period.

Derivative instruments are measured at fair value using the Black Scholes option valuation method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified as at fair value through profit or loss or available-for-sale. Loans and receivables are initially recognised at fair value. Subsequent to initial measurement, loans and receivables including those made to fellow group undertakings, are measured at amortised cost using the effective interest method less any impairment losses. Interest received is recognised as part of investment income. All loan and receivables are recognised when cash is advanced to borrowers.

Financial liabilities

All financial liabilities are initially measured at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process, i.e. finance costs.

Notes to the annual financial statements

for the year ended 31 December 2014

2 Accounting policies *(continued)*

2.5 *Financial instruments (continued)*

Other financial assets and liabilities

Other financial assets and liabilities, namely trade and other receivables and payables, are measured at amortised cost less impairments.

Fair value measurement considerations

The fair values of quoted financial assets are based on quoted prices. If the market for a financial asset is not active, the Company establishes fair value using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents comprises balances with banks and are carried at amortised cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from date of acquisition including cash and balances with banks but excluding cash and cash equivalents held for investing purposes.

2.6 *Impairment of financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets, excluding financial assets at fair value through profit or loss, is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans or receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between asset's carrying amount and the present value of estimated future cash flows (excluding credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account. The impairment loss is recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.7 *Dividends*

Dividends payable to holders of equity instruments, are recognised in the period in which the dividend distribution is authorised and approvd by the Company's shareholder.

Notes to the annual financial statements

for the year ended 31 December 2014

2 Accounting policies *(continued)*

2.8 *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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are provisions, determination of the fair value for financial assets and liabilities and impairment.

The fair values of financial assets and liabilities are classified and accounted for in accordance with the policies set out in section 2.5 above. They are valued on the basis of listed market prices in so far as this is possible. If prices are not readily determinable, fair value is based either on internal valuation models or management estimates of amounts that could be realised under current market conditions. Fair values of derivative instruments are determined using pricing models that consist, among other factors, contractual and market prices, correlations, yield curves, credit spreads and volatility factors.

Assets are subject to regular impairment reviews or as required. Impairments are measured at the difference between the cost (or amortised cost) of a particular asset and the current fair value or recoverable amount. Impairments are recorded in profit or loss in the period in which they occur.

2.9 *Share capital*

Ordinary and preference share capital is classified as equity if it is non-redeemable by the holder or if dividends are discretionary. Coupon payments on preference share equity instruments are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the holder or if dividend payments are not discretionary. Coupon payments thereon are recognised in the income statement as an interest expense.

2.10 *Amendments adopted in current year and forthcoming requirements*

Future amendments not early adopted in the 2014 financial statements

At the date of authorisation of these financial statements the following standards, amendments to standards, and interpretations, which are relevant to the Company, have been issued by the International Accounting Standards Board:

- IFRS 9 Financial Instruments - On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

  This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Company.

  The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017) - In terms of IFRS 15, entities will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) and entity transfers control of goods or services to customers at the amount to which the entity expects to be entitled to. IFRS 15 provides guidance on when to capitalise costs of obtaining or fulfilling a contract that are not addressed in other standards.

  IFRS 15 will be adopted for the first time for the year ending 31 December 2017. The impact on the financial statements has not yet been estimated.

Notes to the annual financial statements

for the year ended 31 December 2014

R' 000

3 *Ultimate Parent Undertaking*

Old Mutual plc, registered in England and Wales, is the ultimate parent undertaking. The largest and smallest group in which the results of the Company are consolidated is Old Mutual plc. Its financial statements are available from:

The Secretary, Old Mutual plc, 5th Floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG.

4 *Statement of financial position - assets and liabilities*

The Company is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk are credit risk, market risk and liquidity risk. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and/or conditions.

4.1 *Categories of financial instruments*

The analysis of assets and liabilities into their categories as defined in IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) is set out in the following table. For completeness, assets and liabilities of a non–financial nature, or financial assets and liabilities that are specifically excluded from the scope of IAS 39, are reflected in the non–financial assets and liabilities category.

At 31 December 2013	**Loans and receivables**	**Financial liabilities at amortised cost**	**Financial assets at fair value through profit or loss**	**Non-financial liabilities**	**Total**
Assets					
Derivative instruments	**-**	**-**	**257 634**	**-**	**257 634**
Amount due by Group company	**45**	**-**	**-**	**-**	**45**
Cash and cash equivalents	**501**	**-**	**-**	**-**	**501**
Total assets	**546**	**-**	**257 634**	**-**	**258 180**
Liabilities					
Deferred tax liability	**-**	**-**	**-**	**8 752**	**8 752**
Current tax payable	**-**	**-**	**-**	**14**	**14**
Total liabilities	**-**	**-**	**-**	**8 766**	**8 766**

At 31 December 2013	Loans and receivables	Financial liabilities at amortised cost	Financial assets at fair value through profit or loss	Non-financial liabilities	Total
Assets					
Derivative instruments	-	-	230 431	-	230 431
Current tax receivable	251	-	-	-	251
Cash and cash equivalents	501	-	-	-	501
Total assets	752	-	230 431	-	231 183
Liabilities					
Deferred tax liability	-	-	-	9 286	9 286
Amounts due to Group company	-	220	-	-	220
Total liabilities	-	220	-	9 286	9 506

Notes to the annual financial statements

for the year ended 31 December 2014

4 Statement of financial position - assets and liabilities *(continued)*

4.2 *Fair values of financial assets and liabilities*

Determination of fair value

All financial instruments, regardless of their IAS 39 categorisation, are initially recorded at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only observable data.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets, which in certain circumstances includes using quotations from independent third parties such as brokers and pricing services, and offer prices for liabilities. When quoted prices are not available, fair values are determined by using valuation techniques that refer as far as possible to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. A number of factors such as bid–offer spread, credit profile, servicing costs and model uncertainty are taken into account, as appropriate, when values are calculated using a valuation technique. Changes in the assumptions used in such valuations could impact the reported value of such instruments.

In general, none of the carrying amounts of financial assets and liabilities carried at amortised cost have a fair value significantly different to their carrying amounts. Such assets and liabilities are primarily comprised of variable–rate financial assets and liabilities that reprice as interest rates change, short-term deposits or current assets.

Investment and securities

The fair values of listed investments and securities are based on bid prices. For unlisted investments and securities, fair values are determined using valuation techniques that refer as far as possible to observable market data.

Other financial assets and liabilities

The fair values of other financial assets and liabilities are reasonably approximated by the carrying amounts reflected in the statement of financial position.

Fair value hierarchy

Fair values are determined according to the following hierarchy:
- Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.
- Level 2 – valuation techniques using observable inputs: 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.
- Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

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, a valuation technique is used.

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.

Notes to the annual financial statements

for the year ended 31 December 2014

4 *Statement of financial position - assets and liabilities (continued)*

4.2 *Fair values of financial assets and liabilities (continued)*

Fair value hierarchy (continued)

The majority of valuation techniques employ only observable market 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 market 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 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 inputs 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.

R' 000

Fair value hierarchy

At 31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Designated as fair value through profit or loss				
Derivative instruments	-	**257 634**	-	**257 634**
Total financial assets measured at fair value	-	**257 634**	-	**257 634**

At 31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Designated as fair value through profit or loss				
Derivative instruments	-	230 431	-	230 431
Total financial assets measured at fair value	-	230 431	-	230 431

Notes to the annual financial statements

for the year ended 31 December 2014

R' 000

5	***Investment income***	***2014***	***2013***
	Dividend income		
	Derivative instruments	**50 103**	35 416
	Interest income		
	Cash and cash equivalents	**7**	55
	Fair value (losses)/gains		
	Derivative instruments	**(2 864)**	124 023
	Included in statement of comprehensive income	**47 246**	159 494

6	***Income tax credit/(expense)***		
	South African taxation		
	Normal income tax - current year	**(2)**	(16)
	Normal income tax - overprovision in prior years	**-**	216
	Deferred tax - capital gains tax (CGT) - current year	**534**	(9 286)
		532	(9 086)

The tax charge for the year is disproportionate to profit for the year as dividend income is not taxable in terms of the Income Tax Act and capital gains and losses are taxed at different rates.

Reconciliation of taxation rate on profit before tax	***2014***	***2013***
	%	%
Standard rate of taxation	**28.0**	28.0
Adjusted for:		
Exempt income	**(29.7)**	(6.2)
Prior year overprovision of tax	**-**	(0.1)
Capital loss/(gain) not subject to capital gains tax	**0.6**	(16.0)
Effective tax rate	**(1.1)**	5.7

Notes to the annual financial statements

for the year ended 31 December 2014

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7 *Derivative instruments*	At beginning 2014	Cash advanced	Revaluation of derivative instruments	*At end 2014*
- Derivatives on 33 740 000 OM plc shares	**230 431**	**30 067**	**(2 864)**	**257 634**

	At beginning 2013	Cash advanced	Revaluation of derivative instruments Restated	*At end 2013 Restated*
- Derivatives on 33 740 000 OM plc shares	85 154	21 254	124 023	230 431

On 1 August 2005 the Company subscribed for 38.56 million new ordinary shares in Old Mutual plc (OM plc) for an initial payment of R1.14 per share (10 pence per share), being the par value of each new share, plus an undertaking to make interim payments together with a final cash payment to the issuer, OM plc, the amount of which will be determined according to a set formula. These amounts will together form the subscription price for the new shares.

On 23 April 2012 all the ordinary existing shares in OM plc were consolidated on a 7 for 8 basis. In addition, a special dividend was declared and paid to all OM plc shareholders on 7 June 2012.

In terms of IFRS, during the period up until final payment is made, the Company has restricted rights to the shares akin to investment in a share option of an equity instrument. Since the value of the investment in the restricted rights equity instrument of OM plc changes in response to a change in the OM plc share price, and required an initial net investment that was smaller than would be required to invest directly in an OM plc share, and the final payment is made at the end of nine years from the date of initial subscription, the restricted rights equity instrument of OM plc meets the definition of a derivative.

The derivatives take the form of share options on OM plc shares and are carried at fair value. Fair value has been measured using the Black Scholes option pricing model and is re-estimated at each reporting date.

The final cash payment is due on 1 May 2015 and it is the Company's intention to exercise sufficient options in order to settle the debt.

Significant inputs and assumptions in the valuation of these instruments are as follows:

	2014	*2013*
Number of options granted (millions)	**34**	34
Fair value per option at measurement date (in Rands)	**7.28**	13.63
Share price (in Rands) at measurement date (31 December)	**34.70**	32.79
Exercise price (in Rands)	**27.6**	28.6
Expected volatility	**20%**	23%
Expected life (in years)	**0.3**	1.3
Dividend yield	**0.0%**	1.1%
Risk free interest rate	**5.9%**	6.0%
Derivative instruments		
- Derivatives on 33 740 000 OM plc shares	**257 634**	230 431

The Trust Deed of the immediate holding Trust stipulates that a set percentage of the dividends received on the restricted rights instruments is required to be on-paid to the Trust to allow the Trust to further the activities for which it was set up. For the year ended 31 December 2014, dividends of R20 041 101 (2013: R14 166 435) were on-paid to the Trust. In 2014, 40% (2013: 40%) of dividends received were on-paid to the Trust.

The balance of dividends received by the Company on the restricted rights instruments are used to repay the final cash payment payable to OM plc, as referred to above.

In May 2015 the final cash payment was made to settle the outstanding liability.

Notes to the annual financial statements

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8 *Cash and cash equivalents*

	2014	2013
Current account	501	501

9 *Deferred tax liability*

	At beginning 2014	Statement of comprehensive income charge	At end 2014
Unrealised capital loss	9 286	(534)	8 752
	9 286	(534)	8 752

	At beginning 2013	Statement of comprehensive income charge	At end 2013
Unrealised capital gain	-	9 286	9 286
	-	9 286	9 286

10 *Amounts due by/(to) Group company*

	2014	2013
Old Mutual Life Assurance Company (South Africa) Limited ("OMLAC(SA)")	45	(220)

The loan is unsecured, interest-free and not subject to fixed terms of repayment.

11 *Share capital*

	2014	2013
Authorised share capital		
1 000 ordinary shares of R1 each	1	1
Issued share capital		
3 ordinary shares of R1 each	-	-

Issued shares

2 ordinary shares were issued at incorporation on 19 May 2005. 1 ordinary share was issued on 13 March 2009.

Unissued shares

Subject to the restrictions imposed by the Companies Act 2006, the unissued shares are under the control of the Directors.

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12 Related party disclosures

Holding Trust

The Company's Holding Trust is The Old Mutual Education Trust, ultimately controlled by OM plc.

Directors

Key management personnel and their close members of family, and entities which they control, jointly control or are ones over which they exercise significant influence are considered related parties to the Company.

The Directors as listed in the Directors' Report are considered to comprise key management personnel. No Directors' fees were paid or accrued during 2014.

Transactions

There were no material transactions with directors or their families during the current financial period.

Dividends received on OM plc restricted rights instruments amounted to R50 102 753 (2013: R35 416 088).

Dividends paid to The Old Mutual Education Trust amounted to R20 041 101 (2013: R14 166 035).

Balances

The loan payable to Old Mutual Life Assurance Company (South Africa) Limited amounted to Rnil (2013: R220 398).

The loan owed by Old Mutual Life Assurance Company (South Africa) Limited amounted to R45 226 (2013: Rnil).

13 Auditors' remuneration

Audit fees for the Company are borne by Old Mutual Business Services Limited.

14 Employees

The Company has no employees. The Company's operations are undertaken by the employees of OMLAC(SA).

15 Notes to the statement of cash flows

	2014	2013
15.1 Non-cash movements and adjustments to profit before tax consist of:		
Fair value losses/(gains)	**2 864**	(124 023)
Interest income	**(7)**	(55)
Dividend income	**(50 103)**	(35 416)
	(47 246)	(159 494)
15.2 Changes in working capital		
Changes in working capital comprise:		
Amounts due by Group company	**(45)**	-
Amounts due to Group company	**(220)**	1
	(265)	1
15.3 Taxation refunded		
Taxation payable at beginning of year	**(202)**	-
Normal income tax as per note 6	**2**	200
Taxation due at end of year	**(14)**	(202)
Interest refunded	**(49)**	-
	(263)	(2)

Notes to the annual financial statements

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16 Directors' interest and remuneration

There were no direct interests in shares or remuneration payable to the Directors during the year.

17 Financial risk management

Effective risk management is integral to the Company's objective of consistently adding value to shareholders. The focus of risk management is on identifying, assessing, managing and monitoring risk. Exposure to market risk and credit risk arises in the normal course of the Company's business.

The financial assets at fair value through profit or loss are exposed to market risk.

The Company has no exposure to currency risk.

17.1 Credit risk

Credit risk represents the risk that any counterparty may not be able to pay its obligations to the Company when due. Credit risk is managed through a process of establishing limits for exposure and monitoring exposure. Credit risk is the risk that an asset, in the form of a monetary claim against a counterparty, may not result in a cash receipt (or equivalent) in accordance with the terms of a contract.

The company is not exposed to significant credit risk.

17.2 Market risk

Market risk is the potential impact on earnings of unfavourable changes in foreign exchange rates, interest rates, prices, market volatilities and liquidity.

The financial assets at fair value through profit or loss are exposed to market risk.

The following table reflects the fair value of the derivative instruments that would arise from a 10 percent change in the share price:

At 31 December 2014	**Actual fair value**	**Fair value - 10% decrease in share price**	**Fair value - 10% increase in share price**
Asset			
Derivative instruments	**257 634**	**145 548**	**374 147**

At 31 December 2013	Actual fair value	Fair value - 10% decrease in share price	Fair value - 10% increase in share price
Asset			
Derivative instruments	230 431	149 658	321 874

17.3 Capital adequacy

The Company's capital is not actively managed and it is not subject to any minimum regulatory capital adequacy requirements.

17.4 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, liabilities and capital.

The Company's exposure to interest risk is limited to interest earned on cash and cash equivalents which is earned at variable rates.

At the reporting date, the Company did not have significant exposure to interest rate risk.

Notes to the annual financial statements

for the year ended 31 December 2014

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17 Financial risk management (continued)

17.5 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

A policy statement for liquidity risk that governs liquidity risk has been adopted by OMLAC(SA). High level principles, roles and responsibilities and reporting requirements are set out in that policy statement document.

Key Principles:

The key principles under which OMLAC(SA) assumes liquidity risk, include a liquidity strategy at a Business Unit (BU) level for the day-to-day management and execution of liquidity risk, liquidity limits set by each BU and the monitoring of the Group's net funding requirement.

Roles & Responsibilities:

The Board of Directors are responsible for the effective management of liquidity risk, by putting the appropriate structure and processes in place. The OMLAC(SA) Audit, Risk and Compliance Committee is responsible for reviewing the adequacy and effectiveness.

The table below analyses assets and liabilities into current and non-current categories based on the remaining period at reporting date to settlement date or, if not subject to fixed terms of repayment, the intention as regards settlement period at the reporting date.

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At 31 December 2014	**Current assets**	**Non-current assets**	**Total**
Assets			
Derivative instruments	-	257 634	257 634
Amounts due by Group company	45	-	45
Cash and cash equivalents	501	-	501
Total assets	**546**	**257 634**	**258 180**

	Current liabilities	**Non-current liabilities**	**Total**
Liabilities			
Deferred tax liability	8 752	-	8 752
Current tax payable	14	-	14
Total liabilities	**8 766**	**-**	**8 766**

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17 Financial risk management (continued)

Liquidity risk (continued)

At 31 December 2013	Current assets	Non-current assets	Total
Assets			
Derivative instruments	-	230 431	230 431
Current tax receivable	251	-	251
Cash and cash equivalents	501	-	501
Total assets	752	230 431	231 183

	Current liabilities	Non-current liabilities	Total
Liabilities			
Amounts due to Group company	220	-	220
Total liabilities	220	-	220