



LIBERTY



Liberty Holdings Limited

Financial results
for the year ended 31 December

2019

ADVICE INSURE INVEST HEALTH

Liberty - an Authorised Financial Service Provider in terms of the FAIS Act (Licence No. 2409).

HIGHLIGHTS

NORMALISED OPERATING
EARNINGS

R2,2 billion



10%

NORMALISED RETURN ON
IFRS EQUITY

14,0%



NEW BUSINESS
MARGIN

1,0%



NORMALISED RETURN ON
GROUP EQUITY VALUE

11,5%



NORMALISED GROUP EQUITY
VALUE PER SHARE

R147,82



7%

LIBERTY GROUP LIMITED
SCR COVER

1,99 times

upper
end of
target
range

STANLIB SOUTH AFRICA ASSETS
UNDER MANAGEMENT

R568 billion



7%

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FINANCIAL PERFORMANCE INDICATORS

for the year ended 31 December 2019

Rm (unless otherwise stated)	2019	2018	% change
Liberty Holdings Limited			
Earnings			
Normalised headline earnings ⁽¹⁾	3 205	2 256	42
Normalised headline earnings per share (cents) ⁽¹⁾	1 174,2	817,9	44
Normalised return on IFRS equity (%) ⁽¹⁾	14,0	10,1	
Group equity value			
Normalised group equity value per share (R) ⁽¹⁾	147,82	138,64	7
Normalised return on group equity value (%) ⁽¹⁾	11,5	3,8	
Distributions per share (cents)			
Normal dividend	712	691	3
Interim dividend	276	276	
Final dividend	436	415	5
Total assets under management (Rbn)	738	718	3
Long-term insurance operations			
Indexed new business (excluding contractual increases) ⁽⁴⁾	8 125	7 991	2
Embedded value of new business	407	371	10
New business margin (%)	1,0	0,9	
Net customer cash inflows	(142)	2 001	(>100)
Solvency capital requirement cover of Liberty Group Limited (times covered) ⁽²⁾	1,99	1,87	
Asset management – STANLIB South Africa			
Assets under management (Rbn)	568	529	7
Net cash inflows including money market ⁽³⁾	15 190	16 149	(6)
Retail and institutional net cash inflows excluding money market ⁽³⁾	15 936	9 155	74
Money market net cash (outflows)/inflows ⁽³⁾	(746)	6 994	(>100)

⁽¹⁾ Normalised: headline earnings, headline earnings per share, return on IFRS equity, group equity value per share and return on group equity value.

These measures reflect the economic substance of the consolidation of the listed REIT Liberty Two Degrees (L2D) and the Black Economic Empowerment (BEE) transaction, as opposed to the required IFRS accounting treatment.

⁽²⁾ Solvency capital requirement cover is the excess of assets over liabilities required by an insurer to ensure that its assets remain larger than its liabilities with a 99.5% level of certainty over a one year time horizon, with assets and liabilities valued in accordance with the Insurance Act, 2017.

⁽³⁾ Excludes intergroup life funds.

⁽⁴⁾ 2018 adjusted for change in classification in Liberty Corporate from recurring to single premiums for additional investment voluntary contributions.

Preparation and supervision:

This announcement on Liberty Holdings Limited annual financial results for the year ended 31 December 2019 has been prepared and supervised by M Norris (Executive: Group Finance) CA (SA) and Y Maharaj (Financial Director) CA (SA).

Resilience demonstrated in the current economic climate, while continuing to invest for the future

Highlights

Improved delivery to customers

Delivering exceptional client and adviser experiences is core to Liberty's strategy. In continuing to support our clients through their life journeys and fulfilling our promises to them, death and disability payments made by Liberty in 2019 increased by 10% to R10,5 billion and annuity payments increased by 9% to R7,8 billion. We are committed to continue investing in and utilising new digital capabilities to offer our clients and advisers the best service and advice.

Resilience in the current climate

The group's performance reflects continued progress in moving towards our medium-term financial targets. The 10% increase in normalised operating earnings, together with significantly higher earnings from the Shareholder Investment Portfolio (SIP), resulted in normalised headline earnings per share of 1 174,2 cents, a 44% increase on 2018. This represents a normalised return on equity of 14,0% for the year. The normalised return on group equity value (RoGEV) increased to 11,5% from 3,8% at 31 December 2018. The group value of new business (VoNB) margin improved to 1,0%. STANLIB South Africa net external third-party client cash flows remained strong. The Liberty Group Limited capital position remains at the upper end of the target range.

2019 final dividend increased

The 2019 final dividend of 436 cents increased by 5% over the 2018 final dividend of 415 cents. This represents a 3% increase in the 2019 full year dividend of 712 cents over the 2018 full year dividend of 691 cents. This dividend is in line with the group's dividend policy, reflecting the strong capital position and the board's confidence in the business following the group's improving operational performance.

Group financial performance

Normalised operating earnings for the year ended 31 December 2019 of R2 201 million increased by 10% on 2018, reflecting a good operational performance in the current economic climate, particularly in STANLIB South Africa and the Africa Regions continuing businesses. The SIP earnings of R1 004 million benefitted from improved investment market returns, particularly in respect of foreign and local equities in 2019. Normalised headline earnings of R3 205 million were 42% up on the previous year. Normalised return on equity was 14,0%, compared to 10,1% in 2018.

Headline earnings for 2019 of R3 254 million, which includes a positive adjustment of R55 million (31 December 2018: R397 million positive adjustment) arising from the accounting mismatch on the consolidation of the Liberty Two Degrees listed REIT, were 23% above 2018 headline earnings of R2 645 million.

Normalised group equity value per share increased by 7% to R147,82 (31 December 2018: R138,64). The RoGEV increased to 11,5% from 3,8% in the prior year. The higher RoGEV was mainly attributable to higher investment market returns during 2019 and a substantially improved performance from STANLIB South Africa.

The group VoNB of R407 million was 10% up from R371 million in the prior year with margin improvement from 0,9% to 1,0%. This outcome was mainly attributable to product enhancements and margin management supported by continued cost discipline, which mitigated the impact of low new business growth.

Group net external third-party client cash inflows increased to R13,3 billion from R10,2 billion in 2018, supported mainly by good STANLIB South Africa net external third-party client cash inflows. Total group assets under management amounted to R738 billion (31 December 2018: R718 billion). Group assets under management reduced by the transfers to other external managers of R25,4 billion in respect of the STANLIB Africa entities which were disposed of during the year and discontinued segregated mandates in STANLIB Kenya and Uganda. These outcomes are consistent with the decision to exit asset management in these regions.

Group long-term insurance indexed new business of R8 125 million was 2% above 2018. Focus remains on sales efforts and new business volumes in the prevailing consumer environment in South Africa.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2019

Earnings by business unit

Rm (Unaudited)	2019	2018	% change
South African Insurance Operations	1 986	1 954	2
SA Retail ⁽¹⁾	1 505	1 544	(3)
Liberty Corporate ⁽¹⁾	85	34	>100
LibFin Markets	396	376	5
South African Asset Management			
STANLIB South Africa	460	355	30
Africa Regions	54	8	>100
Liberty Africa Insurance	29	(19)	>100
STANLIB Africa	25	27	(7)
Operations under ownership review⁽²⁾	(147)	(166)	11
Central costs and sundry income⁽¹⁾	(152)	(145)	(5)
Normalised operating earnings	2 201	2 006	10
Shareholder Investment Portfolio (SIP)	1 004	250	>100
Normalised headline earnings	3 205	2 256	42
BEE preference share adjustment	(6)	(8)	25
Reversal of accounting mismatch arising on consolidation of L2D ⁽³⁾	55	397	(86)
Headline earnings	3 254	2 645	23

⁽¹⁾ The 2018 results have been normalised to reflect the change in operating model as reported in the 31 December 2018 disclosures, whereby certain functions and therefore related costs were transferred from the Liberty holding company to the South African insurance businesses.

⁽²⁾ Disposals of the short-term insurance technology start-up, STANLIB Ghana and STANLIB Botswana were effective on 27 February 2019, 1 December 2019 and 31 December 2019 respectively. Remaining operations under ownership review at 31 December 2019 were asset management operations in Uganda and Kenya, the Health solutions business and short-term insurance businesses in Botswana and Malawi.

⁽³⁾ Refer to Explanation of terms.

Commentary on the earnings by business unit follows on the pages below. Additional information is contained in the summary consolidated segment information.

South African Insurance Operations

The South African Insurance Operations, comprising SA Retail, Liberty Corporate and LibFin Markets (credit portfolio and asset liability matching portfolio), earnings contribution of R1 986 million was up 2% on the comparative period.

SA Retail

Earnings from the group's South African Retail business amounted to R1 505 million compared to R1 544 million in the prior year. The business experienced lower than anticipated risk profits in the second half of 2019. Lower persistency experience continued throughout the year, reflective of the current South African economic climate. This was partly offset by active and disciplined cost management which reduced new business strain.

Indexed new business sales of R6 558 million were 1% up on 2018. Growth in sales volumes remains management's highest priority with low new business volumes being experienced in the group's tied channels, while strong growth was evidenced in the embedded credit and direct channels. Various product enhancements within the investment and risk product suite were launched during 2019. This included the launch of the Liberty Advanced Global Equity Tranches 2 and 3 portfolios on the Evolve Investment Plan, the Wellness Bonus Benefit and enhanced income disability features on the Lifestyle Protector risk proposition.

The SA Retail VoNB increased by 7% to R290 million (31 December 2018: R271 million), and the margin improved to 0,9% (31 December 2018: 0,8%). This result is attributable to the positive impact of product enhancements and margin management. Net client cash inflows of R197 million reflected the impact of increased death, surrender and maturity values paid on investment policies following improved market returns over the year.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2019

Liberty Corporate

Liberty Corporate earnings increased to R85 million from R34 million in 2018. This reflects improved disability claims experience and annuitant mortality coupled with tight expense discipline.

Indexed new business of R1 124 million (31 December 2018: R1 132 million) decreased marginally due to lower recurring premiums written during the year. Product enhancements include the refresh of the Liberty Stable Growth investment strategy and the launch of a comprehensive suite of new investment propositions. VoNB of R68 million was broadly in line with 2018.

Net client cash outflows of R1 030 million (31 December 2018: outflows of R449 million) were impacted by client investment outflows increasing through positive market returns over the year and higher umbrella scheme terminations experienced in line with the current South African economic environment.

LibFin Markets – Asset liability management and credit portfolio

The asset liability management portfolio produced an increased profit of R114 million (31 December 2018: R74 million) and earnings from the credit portfolio amounting to R282 million (31 December 2018: R302 million). LibFin Markets assets under management amounted to R70 billion (31 December 2018: R65 billion).

South African Asset Management

STANLIB South Africa

STANLIB South Africa earnings were up 30% to R460 million. Fee income was higher in the current period due primarily to strong cash inflows throughout the year and favourable investment market performance. Cost to income ratios have also improved.

Net external third-party client cash inflows amounted to R15,2 billion compared to R16,1 billion in 2018. This result was largely attributable to good institutional inflows to both money market and non-money market funds. Intragroup cash outflows for the year amounted to R5,1 billion.

Total assets under management by STANLIB South Africa amounted to R568 billion (31 December 2018: R529 billion).

Africa Regions

Africa Regions comprise Liberty Africa Insurance and the STANLIB asset management continuing operations in the Southern African region.

Earnings of R54 million (31 December 2018: R8 million) was mainly supported by an improved short-term insurance claims experience in Kenya.

Operations under ownership review

Good progress has been made with the successful completion of the sale of Liberty's short-term insurance technology platform announced in February 2019 and the sale of the STANLIB Ghana and Botswana businesses effective 1 December 2019 and 31 December 2019 respectively. The sale of the asset management businesses in Kenya and Uganda is progressing according to plan and expected to be completed by 30 June 2020.

The loss of R147 million includes the Liberty Health loss of R126 million. Efforts continue to find a suitable outcome for the health business; however these are taking longer than anticipated.

Shareholder Investment Portfolio (SIP)

The SIP includes the assets backing capital in the insurance operations as well as the group's investment market exposure to the 90:10 book of business. The current risk profile of the SIP is similar to a conservative balanced portfolio and is managed with a long-term through the cycle investment horizon.

The performance of the SIP was mainly attributable to good performance of local and developed market equities during 2019, which resulted in the SIP producing a gross return of 8,0% (31 December 2018: 3,7%) and delivering earnings of R1 004 million (31 December 2018: R250 million). The SIP exposure to investment markets remains appropriate in the context of the group's risk appetite.

Liberty Two Degrees (L2D)

The 2019 full year distribution was in line with L2D's guidance to the market. The balance sheet capacity and continued operational performance of L2D's defensive portfolio are key differentiators in a difficult trading environment. L2D's South African retail strategy has been validated by the good trading performance in the core retail portfolio evidenced by low retail vacancy rates and positive trading density growth.

Further details on the results are available on the L2D website and in the L2D results announcement.

Bancassurance

The bancassurance agreement with Standard Bank Group, which is applicable across the group's operations, continues to make a positive contribution to new business volumes and earnings. The total indexed new business premiums sold under the agreement increased by 3% on the prior year, reflecting a good increase in credit life sales. We continue leveraging our joint capabilities with Standard Bank to capture appropriate opportunities.

Capital adequacy cover

The Solvency Capital Requirement cover of Liberty Group Limited, the group's main long-term insurance licence, of 1,99 times at 31 December 2019 is at the upper end of the target range and underpins our ability to fulfil our promises to policyholders and other stakeholders.

All other group subsidiary life licences were adequately capitalised.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2019

Dividends

2019 final dividend

In line with the group's dividend policy, the board has approved and declared a gross final dividend of 436 cents per ordinary share. The final dividend will be paid out of income reserves and is payable on Monday, 6 April 2020 to all ordinary shareholders recorded in the books of Liberty Holdings Limited on the record date.

The dividend of 436 cents per ordinary share will be subject to a local dividend tax rate of 20%, which will result in a net final dividend, to those shareholders who are not exempt from paying dividend tax, of 348,8 cents per ordinary share. Liberty Holdings Limited's income tax number is 9050/191/71/8. The number of ordinary shares in issue in the company's share capital at the date of declaration is 286 202 373.

The important dates pertaining to the dividend are as follows:

Last date to trade <i>cum</i> dividend on the JSE	Tuesday, 31 March 2020
First trading day <i>ex</i> dividend on the JSE	Wednesday, 1 April 2020
Record date	Friday, 3 April 2020
Payment date	Monday, 6 April 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 April 2020 and Friday, 3 April 2020, both days inclusive. Where applicable, in terms of instructions received by the company from certificated shareholders, the payment of the dividend will be made electronically to shareholders' bank accounts on payment date.

In the absence of specific mandates, cheques will be posted to shareholders. Shareholders who have dematerialised their shares will have their accounts with their CSDP or broker credited on Monday, 6 April 2020.

Prospects

Management's focus remains on improving the client and adviser experience, delivering STANLIB's investment performance in the top quartile, concluding outcomes for the remaining operations under ownership review and optimising our relationship with the Standard Bank Group.

Although we expect South African economic conditions to remain weak and are not anticipating an improvement in the economic environment, we are confident that our focus is appropriately directed to create sustainable longer-term value for all stakeholders.

David Munro

Group chief executive

26 February 2020

Jacko Maree

Chairman



LIBERTY

Transfer Secretaries

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A subsidiary of
Bank of America Corporation

Liberty Holdings Limited

Incorporated in the Republic of South Africa
(Registration number: 1968/002095/06)
JSE code: LBH

ISIN code: ZAE0000127148

Preference share code: LBHP

ISIN code: ZAE000004040

Telephone +27 11 408 3911

These results are available at www.libertyholdings.co.za

ACCOUNTING POLICIES

The 2019 consolidated annual financial statements of Liberty Holdings Limited have been prepared in accordance with and contain information required by:

- International Financial Reporting Standards (IFRS) including IAS 34 *Interim Financial Reporting* (with the exception of disclosures required under IAS 34 16A (j) relating to fair value measurement, which are not required by the JSE Listings Requirements);
- the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- the Listings Requirements of the JSE Limited; and
- the South African Companies Act, No. 71 of 2008.

The consolidated annual financial statements have been prepared in compliance with IFRS and interpretations for year ends commencing on or after 1 January 2019.

The accounting policies are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements except for the mandatory adoption of IFRS 16 *Leases*. The group applied IFRS 16 retrospectively from 1 January 2019, using the modified retrospective approach. Comparatives, as permitted by IFRS 16, are not restated under this approach. There was no impact to opening retained earnings on adoption of IFRS 16. IFRS 16 replaces IAS 17 *Leases* as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee and the lessor.

The standard requires lessees to capitalise all significant lease arrangements on inception of the lease as right-of-use assets with corresponding finance lease liabilities on the statement of financial position. The group has included the right-of-use assets within 'Equipment and right-of-use assets' on the statement of financial position. As at 1 January 2019, a right-of-use asset of R278 million was recognised with a corresponding finance lease liability on the statement of financial position. The net impact to earnings for the year ended 31 December 2019 resulting from the difference between operating lease charges under IAS 17 and the IFRS 16 income statement expenses (depreciation and finance costs) is not significant (less than R50 million).

Operating lease charges will continue to be recognised for short-term leases and leases of low value items (which includes the month-to-month property leases and computer leasing charges where applicable, and other miscellaneous leases). Refer to the 'Adoption of IFRS 16 *Leases*' note for more detail.

Various amendments issued by the IASB as well as IFRIC 23 *Uncertainty over Income Tax Treatments* were also adopted for the year commencing 1 January 2019. The impact on the group's financial results, disclosures or comparative information is not expected to be significant.

New standards not yet effective

IFRS 17 *Insurance Contracts* (effective 1 January 2022, following IASB due process) will have significant financial reporting impact for the group. Management is assessing this impact under a focussed project.

AUDITOR STATEMENT

PricewaterhouseCoopers Inc. (PwC) have audited the consolidated annual financial statements of Liberty Holdings Limited from which the summary consolidated financial results have been extracted. These summary consolidated financial results comprise the consolidated statement of financial position at 31 December 2019, the consolidated statement of comprehensive income, summary consolidated changes in equity and summary consolidated cash flows for the year then ended and selected explanatory notes. These statements and related notes are marked as 'audited'. This announcement itself is not audited.

The financial results contained in this announcement have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of the consolidated annual financial statements, from which the summary consolidated financial results were extracted, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the prior year's consolidated annual financial statements except for the changes outlined in the Accounting policies above.

This announcement does not include the information required pursuant to paragraph 16A (j) of IAS 34. The full IAS 34 compliant summary consolidated financial results announcement and a copy of the auditors' report is available on request or on the company's website and at the company's registered office.

The auditors have expressed an unmodified audit opinion on the consolidated annual financial statements. PwC have also issued an unmodified assurance opinion on Liberty Holdings Limited's group equity value report, which has also been marked as 'audited' in this financial results announcement.

Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' reports together with the accompanying financial information which is available upon request from Liberty Holdings Limited's registered office.

DIRECTORS' RESPONSIBILITY

The summary consolidated annual financial statements included in this announcement are the full responsibility of the directors. The directors confirm that the financial information has been correctly extracted from the underlying 2019 audited consolidated Liberty Holdings Limited annual financial statements which are available for inspection at the company's registered office on request.

EXPLANATION OF TERMS

Development costs

Represents project costs incurred on developing or enhancing future revenue opportunities.

FCTR

Foreign Currency Translation Reserve.

FVOCI

Fair value through other comprehensive income

FVPL

Fair value through profit or loss

"Liberty" or "group"

Represents the collective of Liberty Holdings Limited and its subsidiaries.

Long-term insurance operations – Indexed new business

This is a measure of new business which is calculated as the sum of 12 months' premiums on new recurring premium policies and one tenth of single premium sales.

Long-term insurance operations – Value of new business and margin (VONB)

The present value, at point of sale, of the projected stream of after-tax profits for new business issued, net of the cost of required capital. The present value is calculated using a risk-adjusted discount rate. Margin is calculated using the value of new business divided by the present value of future modelled premiums.

Short-term insurance operations – Claims loss ratio

This is a measure of underwriting risk and is measured as a ratio of claims incurred divided by the net premiums earned.

Solvency capital requirement (SCR)

The SCR is the excess of assets over liabilities required by an insurer to ensure that its assets remain larger than its liabilities with a 99.5% level of certainty over a one-year time horizon, with assets and liabilities valued in accordance with the Insurance Act, 2017.

Normalised: headline earnings, headline earnings per share, return on equity, group equity value per share and return on group equity value

These measures reflect the economic substance of the Black Economic Empowerment (BEE) transaction and the consolidation of the listed REIT Liberty Two Degrees (L2D) as opposed to the required IFRS accounting treatment.

BEE transaction

IFRS reflects the BEE transaction as a share buy-back. Dividends received on the group's preference shares (which are recognised as an asset for this purpose) are included in income. Shares in issue relating to the transaction are reinstated.

Reversal of accounting mismatch arising on IFRS profit or loss consolidation of L2D

An accounting mismatch arises on consolidation of L2D in the group annual financial statements, resulting from the different measurement bases applied to L2D's assets and Liberty Group Limited's (100% subsidiary of Liberty Holdings Limited) policyholder liabilities. Specifically:

- on a consolidated look through basis the investment property assets of L2D are included in the group annual financial statements at fair value; whereas
- the corresponding linked obligations to Liberty Group Limited's policyholders are required under IFRS to continue to be measured in the group annual financial statements at the listed price of the L2D shares.

The result of this is an accounting mismatch that represents any difference in the profit and loss movement in the price at which L2D's listed shares trade relative to the underlying net asset value.

L2D adjustment in group equity value

In addition to the reversal of the accounting mismatch in IFRS profit or loss described above, the group equity value adjusts the exposures in the Shareholder Investment Portfolio (SIP) to the listed share price.

Summary of impact

Below is a summary of the L2D transaction impact on the ordinary shareholders' equity:

Rm	Group equity value Total	IFRS net asset value	SIP equity value adjustment
Opening adjustment at 1 January 2019	940	522	418
IFRS profit or loss	55	55	
Group equity value earnings	87		87
Transaction between owners and other equity movements	(19)	(73)	54
Closing adjustment at 31 December 2019	1 063	504	559

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

Rm (Audited)	2019	2018
Assets		
Intangible assets	611	572
Defined benefit pension fund employer surplus	117	140
Properties	36 294	35 961
Equipment and right-of-use assets	1 078	1 038
Interests in joint ventures	1 316	1 353
Interests in associates	16 178	13 834
Deferred taxation	317	245
Deferred acquisition costs	790	777
Long-term policyholder assets – insurance contracts	7 017	6 708
Reinsurance assets	2 409	2 119
Long-term insurance	1 991	1 699
Short-term insurance	418	420
Financial investments	351 083	328 365
Policy loans receivable	248	340
Assets held for trading and for hedging	10 003	10 340
Repurchase agreements, scrip and collateral assets	11 573	12 658
Prepayments, insurance and other receivables	4 679	4 953
Cash and cash equivalents	17 377	16 974
Disposal group assets held for sale	584	897
Total assets	461 674	437 274
Liabilities		
Long-term policyholder liabilities	324 246	310 994
Insurance contracts	206 103	200 744
Investment contracts with discretionary participation features	10 252	10 437
Financial liabilities under investment contracts	107 891	99 813
Reinsurance liabilities	246	283
Third party financial liabilities arising on consolidation of mutual funds	56 758	48 186
Provisions	140	145
Deferred taxation	3 191	2 694
Deferred revenue	330	314
Short-term insurance liabilities	991	984
Financial liabilities	7 792	8 104
Lease liabilities	209	
Liabilities held for trading and for hedging	7 932	8 457
Repurchase agreements, liabilities and collateral deposits payable	12 474	11 747
Employee benefits	1 376	1 377
Insurance and other payables	13 115	11 971
Current taxation	239	347
Disposal group liabilities held for sale	246	278
Total liabilities	429 285	405 881
Equity		
Ordinary shareholders' equity	24 068	23 003
Share capital	26	26
Share premium	5 066	5 104
Retained surplus	19 882	18 661
Other reserves	(906)	(788)
Non-controlling interests	8 321	8 390
Total equity	32 389	31 393
Total equity and liabilities	461 674	437 274

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

Rm (Audited)	2019	2018
Revenue		
Insurance premiums	42 182	40 611
Reinsurance premiums	(2 381)	(2 090)
Net insurance premiums	39 801	38 521
Revenue from contracts with customers	4 076	4 073
Investment income	3 199	3 316
Interest income on financial assets using the effective interest rate method	1 920	1 516
Fair value adjustment to assets held at fair value through profit or loss	35 451	3 078
Total income	84 447	50 504
Claims and policyholder benefits under insurance contracts	(41 730)	(39 504)
Insurance claims recovered from reinsurers	2 079	1 571
Change in long-term policyholder assets and liabilities	(4 590)	11 449
Liabilities under insurance contracts	(5 400)	10 024
Policyholder assets related to insurance contracts	309	(776)
Investment contracts with discretionary participation features	171	1 607
Applicable to reinsurers	330	594
Fair value adjustment to long-term policyholder liabilities under investment contracts	(9 146)	1 273
Fair value adjustment to financial liabilities	(1 206)	(1 381)
Fair value adjustment on third party mutual fund interests	(6 327)	(2 407)
Acquisition costs	(4 241)	(4 413)
General marketing and administration expenses	(11 075)	(11 184)
Finance costs	(243)	(110)
Profit share allocations under bancassurance and other agreements	(1 512)	(1 284)
Remeasurement of disposal groups classified as held for sale	(319)	(249)
Profit on disposal of subsidiary	141	
Equity accounted earnings from associate	21	32
Equity accounted earnings from joint ventures	(2)	
Profit before taxation	6 297	4 297
Taxation ⁽¹⁾	(2 662)	(1 255)
Total earnings	3 635	3 042
Other comprehensive income/(loss)	9	369
Items that may be reclassified subsequently to profit or loss	(18)	269
Net change in fair value on cash flow hedges	47	(9)
Income and capital gains tax relating to net change in fair value on cash flow hedges	(13)	3
Net change in debt instruments measured at FVOCI	(15)	42
Income tax relating to movement in debt instrument measured at FVOCI	4	(12)
Foreign currency translation	(41)	245
Items that may not be reclassified subsequently to profit or loss	27	100
Owner-occupied properties – fair value adjustment	(8)	19
Income and capital gains tax relating to owner-occupied properties fair value adjustment	6	2
Change in long-term policyholder insurance liabilities (application of shadow accounting)	16	2
Actuarial gains on post-retirement medical aid liability	53	70
Income tax relating to post-retirement medical aid liability	(14)	(20)
Net adjustments to defined benefit pension fund ⁽²⁾	(19)	(30)
Income tax relating to defined benefit pension fund	5	8
Fair value adjustments to financial liabilities arising from own credit	(16)	68
Income tax relating to fair value adjustments to financial liabilities arising from own credit	4	(19)
Total comprehensive income	3 644	3 411
Total earnings attributable to:		
Shareholders' equity	3 078	2 398
Non-controlling interests	557	644
	3 635	3 042
Total comprehensive income attributable to:		
Shareholders' equity	3 105	2 680
Non-controlling interests	539	731
	3 644	3 411
Basic and fully diluted earnings per share	Cents	Cents
Basic earnings per share	1 153,2	889,1
Fully diluted basic earnings per share	1 112,0	863,7

⁽¹⁾ IFRS requires both policyholder and shareholder taxation to be reported in the taxation line. This therefore distorts the effective tax charge relative to profit before taxation.

⁽²⁾ Net adjustments to defined benefit pension fund include actuarial gains or losses, return on plan assets, reduced by the interest on the net defined benefit asset and the effect of the application of the asset ceiling.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

Rm (Audited)	2019	2018
Balance of ordinary shareholders' equity at 1 January	23 003	22 444
IFRS 9 transition adjustment		(121)
Ordinary dividends	(1 915)	(1 941)
Total comprehensive income	3 105	2 680
FCTR recycled through profit and loss	6	
Cash flow hedge recycled through profit and loss on early settlement		12
Share buy-back ⁽¹⁾	(278)	(247)
Black economic empowerment transaction	28	33
Share-based payments	127	94
Preference dividends	(2)	(2)
Share issue costs in subsidiary		(1)
Disposal of interest in subsidiary - Liberty Life Swaziland	7	
Acquisition of interest in subsidiary - Liberty Holdings Namibia	17	
Transactions between owners - Liberty Two Degrees	(30)	52
Ordinary shareholders' equity	24 068	23 003
Balance of non-controlling interests at 1 January	8 390	7 947
Total comprehensive income	539	731
Acquisition of additional interest in unincorporated property consortiums	(180)	
Unincorporated property partnerships net distributions	(246)	(222)
Non-controlling interests' share of subsidiary distributions	(182)	(314)
Share-based payments	8	
Share issue costs in subsidiary		(1)
Disposal of interest in subsidiary - Liberty Life Swaziland	8	
Acquisition of interest in subsidiary - Liberty Holdings Namibia	(25)	
Transactions between owners - Liberty Two Degrees	9	249
Non-controlling interests	8 321	8 390
Total equity	32 389	31 393

⁽¹⁾ Share buy-backs are purchases of shares from the market to meet employee share-based payment obligations and to hold as treasury shares.

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

Rm (Audited)	2019	2018
Cash flows from operating activities	2 021	(379)
Cash utilised by operations	(4 642)	(9 805)
Interest income on financial assets using the effective interest rate method	1 920	1 516
Distributions paid	(3 349)	(3 196)
Taxation paid	(2 363)	(3 092)
Net disposal of financial instruments ⁽¹⁾	10 612	13 293
Net disposal of other assets	293	215
Deposits received on collateral deposits payable	88	1 098
Other operating cash flows	(538)	(408)
Cash flows from investing activities	(184)	(512)
Net disposal of investments		23
Net purchase of other assets	(263)	(524)
Acquisition of associate		(10)
Acquisition of equity accounted joint ventures	(1)	(1)
Proceeds on sale of disposal groups classified as held for sale	268	
Cash flows from investing activities in disposal groups	(188)	
Cash flows from financing activities	(1 396)	2 785
Net (repayment)/advance from financial liabilities	(837)	1 927
Net repayment of lease liabilities	(78)	
Net (repayment of)/proceeds on repurchase agreements liabilities	(58)	730
Net cash flows from equity transactions with non-controlling interests	(145)	377
Share issue cost in subsidiary		(2)
Share buy-backs	(278)	(247)
Net increase in cash and cash equivalents	441	1 894
Cash and cash equivalents at the beginning of the year	16 974	15 169
Foreign currency translation	(22)	129
Disposal groups cash classified as held for sale	(16)	(218)
Cash and cash equivalents at the end of the year	17 377	16 974

⁽¹⁾ Included in the net disposal of financial instruments for 2019 was R5 787 million (2018: R5 200 million) related to dividends received and R11 322 million (2018: R11 003 million) related to interest income in respect of financial instruments measured at fair value.

HEADLINE EARNINGS AND EARNINGS PER SHARE

for the year ended 31 December 2019

Rm (unless otherwise stated)/(Audited)	2019	2018
Reconciliation of total earnings to headline earnings attributable to shareholders		
Total earnings attributable to shareholders	3 078	2 398
Preference share dividend	(2)	(2)
Basic earnings attributable to ordinary shareholders	3 076	2 396
Remeasurement of disposal groups classified as held for sale	319	249
Profit on disposal of subsidiary	(141)	
Headline earnings attributable to ordinary shareholders	3 254	2 645
Net income earned on BEE preference shares	6	8
Reversal of the accounting mismatch arising on consolidation of L2D ⁽¹⁾	(55)	(397)
Normalised headline earnings attributable to ordinary shareholders	3 205	2 256
Weighted average number of shares in issue ('000)	266 726	269 496
Normalised weighted average number of shares in issue ('000)	272 943	275 842
Fully diluted weighted average number of shares in issue ('000)	276 617	277 407
Earnings per share	Cents	Cents
Total earnings attributable to ordinary shareholders		
Basic	1 153,2	889,1
Headline	1 220,0	981,5
Normalised headline	1 174,2	817,9
Fully diluted earnings attributable to ordinary shareholders		
Basic	1 112,0	863,7
Headline	1 176,4	953,5

⁽¹⁾ Refer to Explanation of terms.

SUMMARY CONSOLIDATED SEGMENT INFORMATION

for the year ended 31 December 2019

The audited segment results for the year ended 31 December 2019 are as follows:

Rm (Audited)	South African operations		
	Insurance operations		Other operations ⁽¹⁾
	SA Retail	Liberty Corporate	
Total income	70 855	17 170	1 673
Profit/(loss) before taxation	4 635	252	734
Taxation ⁽²⁾	(2 270)	(59)	(45)
Total earnings	2 365	193	689
Reconciliation of total earnings to headline earnings/(loss) attributable to shareholders			
Total earnings/(loss)	2 365	193	689
Attributable to non-controlling interests		(1)	(216)
Remeasurement of disposal groups classified as held for sale			
Profit on sale of subsidiary			(141)
Preference share dividend			(2)
Headline earnings/(loss)	2 365	192	330
Net income earned on BEE preference shares			6
Reversal of the accounting mismatch arising on consolidation of L2D			(55)
Normalised headline earnings/(loss)	2 365	192	281
Reconciliation of business operations earnings/(loss) to segment result			
South African Insurance Operations	1 805	181	
SA Retail	1 505		
Liberty Corporate		85	
LibFin Markets	300	96	
South African Asset Management			
STANLIB South Africa			
Africa regions			
Liberty Africa Insurance			
Liberty Health			
STANLIB Africa			
Shareholder Investment Portfolio (SIP)	627	11	366
Central costs and sundry income	(67)		(85)
Normalised headline earnings/(loss)	2 365	192	281

⁽¹⁾ Includes shareholders' equity, not allocated to the other operating segments, specifically invested to maximise the investment yield within the group's risk appetite and regulatory requirements and costs associated with the group's governance, investor relations, strategy co-ordination and certain corporate social investment and black economic empowerment activities.

⁽²⁾ Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.

⁽³⁾ IFRS requires both policyholder and shareholder taxation to be reported in the taxation line. This therefore distorts the effective tax charge relative to profit before taxation.

The operating segments are supported by LibFin who manages the asset/ liability mismatch risk, originates and manages credit assets backing the guaranteed investment product set arising in the South African insurance operations and manages the performance of shareholder investment exposures in the South African life insurance operations. The impact of these activities is disclosed in the relevant segment grouping.

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the year ended 31 December 2019

		Africa regions					
	Asset management						
	STANLIB South Africa	Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total	Reporting adjustments ⁽²⁾	IFRS reported
	2 721	3 948	1 054	275	97 696	(13 249)	84 447
	647 (187)	132 (94)	(369) 9	(17) (16)	6 014 (2 662)	283	6 297 (2 662)
	460	38	(360)	(33)	3 352	283	3 635
	460	38 (53) 30	(360) 234	(33) (4) 55	3 352 (274) 319 (141) (2)	283 (283)	3 635 (557) 319 (141) (2)
	460	15	(126)	18	3 254 6 (55)		3 254 6 (55)
	460	15	(126)	18	3 205		3 205
					1 986		
					1 505 85 396		
	460	15	(126)	18	460 (93)		
		15	(126)	18	15 (126) 18		
					1 004 (152)		
	460	15	(126)	18	3 205		

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the year ended 31 December 2019

The audited segment results for the year ended 31 December 2018 are as follows:

Rm (Audited)	South African operations		
	Insurance operations		
	SA Retail	Liberty Corporate	Other operations ⁽¹⁾
Total income	43 890	11 544	2 530
Profit/(loss) before taxation	1 971	199	1 544
Taxation ⁽³⁾	(803)	(44)	(209)
Total earnings	1 168	155	1 335
Reconciliation of total earnings to headline earnings/(loss) attributable to shareholders			
Total earnings/(loss)	1 168	155	1 335
Attributable to non-controlling interests			(259)
Remeasurement of disposal groups classified as held for sale			
Preference share dividend			(2)
Headline earnings/(loss)	1 168	155	1 074
Net income earned on BEE preference shares			8
Reversal of the accounting mismatch arising on consolidation of L2D			(397)
Normalised headline earnings/(loss)	1 168	155	685
Reconciliation of business operations earnings/(loss) to segment result			
South African Insurance Operations	1 860	149	
SA Retail	1 581		
Liberty Corporate		52	
LibFin Markets	279	97	
South African Asset Management			
STANLIB South Africa			
Africa regions			
Liberty Africa Insurance			
Liberty Health			
STANLIB Africa			
Shareholder Investment Portfolio (SIP)	(699)	6	943
Central costs and sundry income⁽⁴⁾	7		(258)
Normalised headline earnings/(loss)	1 168	155	685

⁽¹⁾ Includes shareholders' equity, not allocated to the other operating segments, specifically invested to maximise the investment yield within the group's risk appetite and regulatory requirements and costs associated with the group's governance, investor relations, strategy co-ordination and certain corporate social investment and black economic empowerment activities.

⁽²⁾ Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.

⁽³⁾ IFRS requires both policyholder and shareholder taxation to be reported in the taxation line. This therefore distorts the effective tax charge relative to profit before taxation.

⁽⁴⁾ Includes the short-term insurance technology start-up.

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the year ended 31 December 2019

Asset management	Africa regions				Total	Reporting adjustments ⁽²⁾	IFRS reported
	STANLIB South Africa	Liberty Africa Insurance	Liberty Health	STANLIB Africa			
	2 802	2 329	912	288	64 295	(13 791)	50 504
	493	5	(351)	53	3 914	383	4 297
	(138)	(67)	47	(41)	(1 255)		(1 255)
	355	(62)	(304)	12	2 659	383	3 042
	355	(62)	(304)	12	2 659	383	3 042
		2	(4)	(4)	(261)	(383)	(644)
		23	226		249		249
					(2)		(2)
	355	(37)	(78)	8	2 645		2 645
					8		8
					(397)		(397)
	355	(37)	(78)	8	2 256		2 256
					2 009		
					1 581		
					52		
					376		
	355				355		
		(37)	(78)	8	(107)		
		(37)			(37)		
			(78)		(78)		
				8	8		
					250		
					(251)		
	355	(37)	(78)	8	2 256		

GROUP EQUITY VALUE REPORT

for the year ended 31 December 2019

1. Introduction

Liberty presents a group equity value report to reflect the combined value of the various components of Liberty's businesses.

Section 2 below describes the valuation bases used for each reported component. It should be noted that the group equity value is presented to provide additional information to shareholders to assess performance of the group. The total equity value is not intended to be a fair value calculation of the group but should provide indicative information of the inherent value of the component parts.

2. Component parts of the group equity value and valuation techniques used

Group equity value has been calculated as the sum of the following component parts:

2.1 South African (SA) covered business

The wholly-owned subsidiary, Liberty Group Limited, comprises the South African long-term insurance entities and related asset holding entities. The embedded value methodology in terms of Advisory Practice Note 107 issued by the Actuarial Society of South Africa continues to be used to derive the value of this business cluster described as "South African covered business". The embedded value report of the South African covered business has been reviewed by the group's Head of Actuarial Function. The full embedded value report is included in the supplementary information section.

2.2 Other businesses

STANLIB South Africa	Valued using a 10 times (2018: 10 times) multiple of estimated sustainable earnings.
STANLIB Africa	Valued using a combination of estimated sales price where available, if the operation is held for sale, or a 10 times (2018: 10 times) multiple of estimated sustainable earnings, adjusted for country risk.
Liberty Health	As Liberty Health is under disposal groups held for sale, the IFRS net asset value has been used as it includes a remeasurement to fair value, less cost to sell.
Liberty Africa Insurance	Liberty Africa Insurance is a cluster of both long- and short-term insurance businesses located in various African countries outside of South Africa. A combination of valuation techniques including embedded value, discounted cash flow and earnings multiples have been applied to value these businesses. The combined value of this cluster is not material relative to the other components of group equity value and therefore a detailed analysis of this valuation has not been presented. At 31 December 2019 the combined valuations were approximately equal to the cluster's IFRS net asset value. Therefore the IFRS net asset value was used.
Liberty Holdings	The net market value of assets and liabilities held by the Liberty Holdings Limited company excluding investments in any subsidiaries which are valued separately.

2.3 Liberty Two Degrees (L2D) normalisation adjustment

This represents the difference between Liberty Group Limited's share of the net asset value of L2D as at the reporting date and the listed price of L2D units multiplied by the number of units in issue to Liberty Group Limited at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the Shareholder Investment Portfolio.

2.4 Other adjustments

These comprise the fair value of share rights allocated to staff not employed by the South African covered businesses, adjusting certain deferred tax assets to current values and allowance for certain shareholder recurring expenses incurred in Liberty Holdings Limited capitalised at a multiple of 9 times (2018: 9 times).

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2019

3. Normalised group equity value

3.1 Analysis of normalised group equity value

2019 Rm (Audited)	SA covered business	Other businesses	Total
Liberty Group Limited consolidated	18 690		18 690
STANLIB South Africa ⁽¹⁾		913	913
STANLIB Africa ⁽¹⁾		114	114
Liberty Africa Insurance		920	920
Liberty Holdings		2 103	2 103
Operations under ownership review ⁽²⁾		265	265
Liberty Two Degrees adjustment to net asset value ⁽³⁾	1 046	17	1 063
Shareholders' equity reported under IFRS	19 736	4 332	24 068
Reverse deferred acquisition cost and deferred revenue liability	(321)		(321)
Reverse value of in-force acquired	(2)		(2)
Frank Financial Services allowance for future expenses	(50)		(50)
BEE preference funding	78		78
Liberty Two Degrees adjustment ⁽³⁾	(1 046)	(17)	(1 063)
Allowance for employee share rights	(35)	(24)	(59)
Normalised net worth	18 360	4 291	22 651
Value of in-force – SA Retail	16 269		16 269
Value of in-force – Liberty Corporate	2 885		2 885
Cost of required capital	(3 155)		(3 155)
Fair value adjustment – STANLIB South Africa ⁽¹⁾		3 387	3 387
Fair value adjustment – STANLIB Africa ⁽¹⁾		212	212
Allowance for future shareholder expenses		(1 342)	(1 342)
Normalised equity value	34 359	6 548	40 907

⁽¹⁾ STANLIB valuation (Rm)	2019	2018	Change
STANLIB South Africa	4 300	3 800	500
Net asset value	913	852	61
Fair value adjustment	3 387	2 948	439
STANLIB Africa	300	330	(30)
Net asset value ⁽¹⁾	88	130	(42)
Fair value adjustment	212	200	12
Total	4 600	4 130	470

⁽¹⁾ The STANLIB Africa net asset value reconciles to the positive R114 million (31 December 2018: positive R84 million) in table 3.1 above less R26 million negative net asset value (31 December 2018: plus R46 million positive net asset value) included in operations under ownership review.

⁽²⁾ Under IFRS these are disclosed as disposal groups classified as held for sale.

⁽³⁾ This represents the difference between Liberty Group Limited's share of the net asset value of L2D as at the reporting date and the listed price of L2D shares multiplied by the number of shares in issue to Liberty Group Limited at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the Shareholder Investment Portfolio.

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2019

3. Normalised group equity value (continued)

3.1 Analysis of normalised group equity value (continued)

2018 Rm (Audited)	SA covered business	Other businesses	Total
Liberty Group Limited consolidated	18 088		18 088
STANLIB South Africa		852	852
STANLIB Africa		84	84
Liberty Africa Insurance		926	926
Liberty Holdings		1 731	1 731
Operations under ownership review ⁽¹⁾		382	382
Liberty Two Degrees adjustment to net asset value ⁽²⁾	932	8	940
Shareholders' equity reported under IFRS	19 020	3 983	23 003
Reverse deferred acquisition cost and deferred revenue liability	(328)		(328)
Reverse value of in-force acquired	(7)		(7)
Frank Financial Services allowance for future expenses	(100)		(100)
Impact of discounting on deferred tax asset		(100)	(100)
BEE preference funding	99		99
Liberty Two Degrees adjustment ⁽²⁾	(932)	(8)	(940)
Allowance for employee share rights	(46)	(36)	(82)
Normalised net worth	17 706	3 839	21 545
Value of in-force – SA Retail	16 054		16 054
Value of in-force – Liberty Corporate	2 965		2 965
Cost of required capital	(3 038)		(3 038)
Fair value adjustment – STANLIB South Africa		2 948	2 948
Fair value adjustment – STANLIB Africa		200	200
Allowance for future shareholder expenses		(1 990)	(1 990)
Normalised equity value	33 687	4 997	38 684

⁽¹⁾ Under IFRS these are disclosed as disposal groups classified as held for sale.

⁽²⁾ This represents the difference between Liberty Group Limited's share of the net asset value of L2D as at the reporting date and the listed price of L2D shares multiplied by the number of shares in issue to Liberty Group Limited at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the Shareholder Investment Portfolio.

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2019

3. Normalised group equity value (continued)

3.2 Normalised group equity value earnings and value per share

Rm (Audited)	2019			2018		
	SA covered business	Other businesses	Total	SA covered business	Other businesses	Total
Normalised equity value at the end of the period	34 359	6 548	40 907	33 687	4 997	38 684
Equity value at the end of the period	35 327	6 565	41 892	34 520	5 005	39 525
Liberty Two Degrees adjustment ⁽¹⁾	(1 046)	(17)	(1 063)	(932)	(8)	(940)
BEE preference shares	78		78	99		99
Net share buy-backs		278	278		247	247
Funding of restricted share plan	3	(3)		80	(80)	
Intragroup dividends ⁽²⁾	2 235	(2 235)		2 252	(2 252)	
Dividends paid		1 917	1 917		1 943	1 943
Normalised equity value at the beginning of the period	(33 687)	(4 997)	(38 684)	(34 599)	(4 787)	(39 386)
Equity value at the beginning of the period	(34 520)	(5 005)	(39 525)	(34 458)	(5 384)	(39 842)
Beginning of year adjustment for introduction of new prudential regime ⁽³⁾				(139)		(139)
IFRS 9 transition adjustment				121		121
Liberty Two Degrees adjustment ⁽¹⁾	932	8	940		597	597
BEE preference shares	(99)		(99)	(123)		(123)
Normalised equity value earnings	2 910	1 508	4 418	1 420	68	1 488
Normalised return on group equity value (%)	8,6	31,9	11,5	4,1	1,5	3,8
Normalised number of shares ('000)			276 733			279 025
Number of shares in issue ('000)			266 044			268 418
Shares held for the employee restricted share scheme ('000)			4 237			4 353
Estimated shares on settlement of performance reward plan			274			
Adjustment for BEE shares ('000)			6 178			6 254
Normalised group equity value per share (R)			147,82			138,64

⁽¹⁾ This represents the difference between Liberty Group Limited's share of the net asset value of L2D as at the reporting date and the listed price of L2D shares multiplied by the number of shares in issue to Liberty Group Limited at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the Shareholder Investment Portfolio.

⁽²⁾ Dividends paid by Liberty Group Limited to Liberty Holdings Limited.

⁽³⁾ This adjustment and the consequential impact on the components of the embedded value earnings analysis were explained in section 1 of the 31 December 2018 South African Covered Business Embedded Value Report.

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2019

3. Normalised group equity value

3.3 Sources of normalised group equity value earnings

Rm (Audited)	2019			2018		
	SA covered business	Other businesses	Total	SA covered business	Other businesses	Total
Value of new business written in the period	358	49	407	344	27	371
Expected return on value of in-force business	2 373		2 373	2 433		2 433
Variances/changes in operating assumptions	(265)	648	383	135	372	507
Operating experience variances	(206)		(206)	423		423
Operating assumption changes	(101)		(101)	103		103
Changes in modelling methodology	42		42	(19)		(19)
New operating model - expense impact ⁽¹⁾		648	648	(372)	372	
Development costs	(47)	(16)	(63)	(9)	(99)	(108)
Liberty Holdings shareholder expenses ⁽²⁾		(127)	(127)		(369)	(369)
Headline earnings of other businesses/ intragroup transfers		367	367		246	246
Operational equity value profits	2 419	921	3 340	2 903	177	3 080
Economic adjustments	480	251	731	(1 473)	417	(1 056)
Return on net worth	576	251	827	2	417	419
Investment variances	(653)		(653)	(1 225)		(1 225)
Change in economic assumptions	557		557	(250)		(250)
Change in fair value adjustments on value of other businesses ⁽³⁾		324	324		(526)	(526)
Change in allowance for share rights	11	12	23	(10)		(10)
Group equity value earnings	2 910	1 508	4 418	1 420	68	1 488

⁽¹⁾ This is the impact of reserving for expenses that resided in Liberty Holdings Limited that were transferred to Liberty Group Limited with effect 1 January 2019, in line with the change to the group's operating model which came into effect on the same date.

⁽²⁾ This includes the actual shareholder expenses incurred by Liberty Holdings of R128 million (31 December 2018: R223 million) plus the change in the allowance for future shareholder expenses over the period.

⁽³⁾ The positive R324 million comprises the change in the fair value adjustment in respect of the STANLIB asset management operations of positive R451 million, release of allowance for discounting on deferred tax asset of positive R100 million, operations under ownership review net remeasurement of negative R178 million (R319 million remeasurement, less R141 million profit on sale of subsidiary) and Liberty Africa Insurance value of new business offset of R49 million.

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2019

3 Normalised group equity value (continued)

3.4 Analysis of value of long-term insurance new business and margins

Rm (unless otherwise stated) (Audited)	2019	2018
South African covered business		
SA Retail	1 765	1 710
Traditional Life	1 550	1 530
Direct Channel	102	82
Credit Life	113	98
Liberty Corporate	158	168
Gross value of new business	1 923	1 878
Overhead acquisition (including underwriting) costs impact on value of new business	(1 365)	(1 341)
Cost of required capital	(200)	(193)
Net value of South African covered business	358	344
Present value of future expected premiums	39 712	42 417
Margin (%)	0,9	0,8
Liberty Africa Insurance		
Net value of new business	49	27
Present value of future expected premiums	1 207	972
Margin (%)	4,1	2,8
Total group net value of new business	407	371
Total group margin (%)	1,0	0,9

LONG-TERM INSURANCE NEW BUSINESS

for the year ended 31 December 2019

Rm (Unaudited)	2019	2018
Sources of insurance operations total new business by product type		
Retail	26 715	26 641
Single	22 088	22 131
Recurring	4 627	4 510
Institutional	2 321	2 377
Single ⁽¹⁾	1 148	1 233
Recurring ⁽¹⁾	1 173	1 144
Total new business	29 036	29 018
Single ⁽¹⁾	23 236	23 364
Recurring ⁽¹⁾	5 800	5 654
Insurance indexed new business	8 125	7 991
Sources of insurance indexed new business		
SA Retail	6 558	6 495
Liberty Corporate ⁽¹⁾	1 124	1 132
Liberty Africa Insurance ⁽²⁾	443	364

⁽¹⁾ 2018 adjusted for change in classification in Liberty Corporate from recurring to single premiums for additional investment voluntary contributions.

⁽²⁾ Liberty owns less than 100% of certain entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.

The difference between the single premiums reported under total long-term insurance premiums and single premiums reported under long-term insurance new business by distribution channel arises mainly from different treatment for extensions of matured policies, reinvestment of fund withdrawals, conversions of standalone funds to umbrella funds and fund member movements within Liberty administered funds.

LONG-TERM INSURANCE NET CUSTOMER CASH FLOWS

for the year ended 31 December 2019

Rm (Audited)	2019	2018
Net premiums by product type		
Retail	43 700	43 553
Single	21 598	21 836
Recurring	22 102	21 717
Institutional	12 519	11 522
Single	2 188	2 062
Recurring	10 331	9 460
Net premium income from insurance contracts and inflows from investment contracts	56 219	55 075
Single	23 786	23 898
Recurring	32 433	31 177
Net claims and policyholders benefits by product type		
Retail	(43 239)	(41 263)
Death and disability claims	(8 175)	(7 277)
Policy surrender and maturity claims	(28 023)	(27 579)
Annuity payments	(7 041)	(6 407)
Institutional	(13 122)	(11 811)
Death and disability claims	(2 298)	(2 285)
Scheme terminations and member withdrawals	(10 022)	(8 726)
Annuity payments	(802)	(800)
Net claims and policyholders benefits	(56 361)	(53 074)
Long-term insurance net customer cash flows⁽¹⁾		
Rm (Unaudited)		
Sources of insurance operations net cash flows:	(142)	2 001
SA Retail	197	2 065
Liberty Corporate	(1 030)	(449)
Liberty Africa Insurance ⁽²⁾	691	385

⁽¹⁾ This excludes net cash flows attributed to the off balance sheet GateWay LISP of outflows R55million (2018: inflows of R524 million).

⁽²⁾ Liberty owns less than 100% of certain entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.

ASSETS UNDER MANAGEMENT⁽¹⁾

as at 31 December 2019

Rbn (Unaudited)	2019	2018
Managed by group business units	709	682
STANLIB South Africa	568	529
STANLIB Africa ⁽²⁾	28	51
Remaining operations	18	19
Operations under ownership review ⁽⁴⁾	10	32
LibFin Markets	70	65
Other internal managers	43	37
Externally managed	29	36
Total assets under management⁽³⁾	738	718
Continuing operations	728	686
Operations under ownership review	10	32

⁽¹⁾ Includes funds under administration.

⁽²⁾ Liberty owns less than 100% of certain of the entities that make up STANLIB Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.

⁽³⁾ Included in total assets under management are the following LISP December 2019 amounts:

Unit trusts listed (Rbn)	STANLIB managed	Other managed	Total
STANLIB	40	92	132
Gateway	5	5	10

⁽⁴⁾ Under IFRS these are disclosed as disposal groups classified as held for sale.

ASSET MANAGEMENT NET EXTERNAL CUSTOMER CASH FLOWS⁽¹⁾

as at 31 December 2019

Rm (Unaudited)	2019	2018
STANLIB South Africa		
Non-money market	15 936	9 155
Retail	8 059	6 146
Institutional	7 877	3 009
Money market	(746)	6994
Retail	89	(48)
Institutional	(835)	7 042
Net South Africa cash inflows	15 190	16 149
STANLIB Africa⁽²⁾		
Non-money market	(1 128)	(7 696)
Retail	(309)	19
Institutional	(819)	(7 715)
Money market	(1 219)	(868)
Net Africa cash outflows	(2 347)	(8 564)
Net cash inflows from asset management	12 843	7 585

⁽¹⁾ Cash flows exclude intergroup segregated life funds mandates.

⁽²⁾ The STANLIB Africa cash flows represent the flows up to the date of the sale of the applicable asset management operations or transfer of mandates.

SHORT-TERM INSURANCE INDICATORS

for the year ended 31 December 2019

Rm (Audited)	2019	2018
Net premiums	1 551	1 347
Liberty Health – medical risk	927	808
Liberty Africa Insurance – motor, property, medical and other	624	539
Net claims	(971)	(943)
Liberty Health – medical risk	(715)	(650)
Liberty Africa Insurance – motor, property, medical and other	(256)	(293)
Net cash inflows from short-term insurance	580	404
Unaudited		
Claims loss ratio (%)		
Liberty Health	77	80
Liberty Africa Insurance	41	54
Combined loss ratio (%)		
Liberty Health	115	117
Liberty Africa Insurance	91	108

CAPITAL COMMITMENTS

as at 31 December 2019

Rm (Audited)	2019	2018
Equipment and computer software	364	543
Investment and owner-occupied properties	1 240	1 497
Committed capital ⁽¹⁾	1 040	1 337
Total capital commitments	2 644	3 377
Under contracts	689	808
Authorised by the directors but not contracted	1 955	2 569

⁽¹⁾ Liberty has committed capital to certain infrastructure and development funds through consolidated mutual fund subsidiaries. The committed funds are only drawn down when required.

The above 2019 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds, R103 million (2018: R49 million) from non-controlling interests in unincorporated property partnerships and R197 million (2018: R433 million) from non controlling interest in respect of properties.

RETIREMENT BENEFIT OBLIGATIONS

as at 31 December 2019

Audited

Post-retirement medical benefit

The group operates an unfunded post-retirement medical aid benefit for permanent employees who joined the group prior to 1 February 1999 and agency staff who joined prior to 1 March 2005. As at 31 December 2019, the Liberty post-retirement medical aid benefit liability was R459 million (2018: R471 million).

Defined benefit retirement fund

The group operates a defined benefit pension scheme on behalf of employees and retirees. The fund is closed to new membership and is well funded with net surplus assets.

RELATED PARTIES

for the year ended 31 December 2019

Audited

Standard Bank Group Limited and any subsidiary (excluding Liberty) is referred to as Standard Bank in the context of this section.

The following selected significant related party transactions have occurred in the 31 December 2019 financial period:

1. Summary of related party transactions with Standard Bank

1.1 Summary of movement in investment in ordinary shares held by the group in the group's holding company is as follows:

	Number '000	Fair value Rm	Ownership %
Standard Bank Group Limited			
Balance at 1 January 2019	20 618	3 687	1,29
Purchases	6 411	1 180	
Sales	(8 282)	(1 472)	
Fair value adjustments		(241)	
Balance at 31 December 2019	18 747	3 154	1,18

1.2 Bancassurance

Liberty has extended the bancassurance business agreements with Standard Bank group for the manufacture, sale and promotion of insurance, investment and health products through the Standard Bank's African distribution capability. New business premium income in respect of this business in 2019 amounted to R7 908 million (2018: R8 895 million). In terms of the agreements, Liberty's group subsidiaries pay profit shares to various Standard Bank operations. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. The total combined net profit share amounts accrued as payable to the Standard Bank group for the year to 31 December 2019 is R1 485 million (2018: R1 266 million).

The bancassurance business agreements are evergreen agreements with a 24-month notice period for termination. As at the date of the approval of these financial statements, neither party had given notice.

1.3 Purchases and sales of financial instruments

As per Liberty's 2018 group annual financial statements, in the normal course of conducting business, Liberty deposits cash with Standard Bank, purchases and sells financial instruments issued by Standard Bank and enters into sale and repurchase agreements and derivative transactions with Standard Bank.

These transactions are at arm's length and are primarily used to support investment portfolios for policyholders and shareholders' capital.

1.4 Business operations sold to Standard Bank

Short-term insurance technology start-up

On 27 February 2019, Liberty Holdings Limited entered into a sale and purchase agreement with the Standard Bank of South Africa to dispose 100% of the technology that supports and enables its short-term insurance business, which operated as a division of Liberty Holdings Limited, including all moveable assets used and intellectual property. The purchase consideration was R145 million, which realised a full recovery of the capitalised asset as at 31 December 2018 of R94 million and a partial past expense recovery of R51 million.

Disposal of STANLIB Ghana Limited

Effective 1 December 2019, Liberty Holdings Limited disposed of 100% of its shares in STANLIB Ghana Limited to Stanbic Holdings Ghana Limited, a wholly owned subsidiary of Standard Bank Group Ltd. The purchase consideration of GHS70 million (seventy million Ghanaian cedi) which amounted to R172 million. The realised profit on sale was R141 million.

DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

as at 31 December 2019

Audited

As part of the strategy refresh exercise conducted during 2018, various cash-generating units were identified as either sub-scale or no longer applicable to Liberty's revised strategy. Consequently, the board approved a process of disposals and strategic partnership negotiations with the expectation to lead to loss of control of these cash-generating units during 2019.

The disposal of three operations, being the short-term insurance technology start-up, and the asset management operations in Ghana and Botswana were concluded in the period under review.

The cash-generating units remaining as held for sale at 31 December 2019 are asset management operations in Uganda and Kenya, the Health solutions business and short-term insurance operations in Botswana and Malawi.

Based on the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities have been disclosed as disposal groups and are separately disclosed on the statement of financial position. The disposal groups are measured at the lower of carrying amount and fair value less costs to sell, which has led to various remeasurements, as set out below:

Rm	2019			2018		
	Gross	Fair value adjustment	Net	Gross	Fair value adjustment	Net
Total assets classified as held for sale	891	(307)	584	1 146	(249)	897
Total liabilities classified as held for sale	246		246	278		278
Net assets of disposal groups held for sale	645	(307)	338	868	(249)	619

The potential sales are not discontinued operations as defined under IFRS 5 as they are not disposals of separate major lines of business or geographical areas of operation. Profit or loss from cash-generating units within disposal groups have consequently not been separately identified in the statement of comprehensive income.

Disposals of operations during the year

Disposal of the short-term insurance technology start-up

On 27 February 2019, Liberty Holdings Limited entered into a sale and purchase agreement with the Standard Bank of South Africa to dispose of 100% of the technology that supports and enables its short-term insurance business, which is operated as a division of Liberty Holdings Limited, including all movable assets used and intellectual property. The purchase consideration was R145 million, which realised a full recovery of the capitalised asset as at 31 December 2018 of R94 million and a partial past expense recovery of R51 million.

Disposal of STANLIB Ghana Limited

Effective 1 December 2019, Liberty Holdings Limited disposed of 100% of its shares in STANLIB Ghana Limited to Stanbic Holdings Ghana Limited, a wholly owned subsidiary of Standard Bank Group Ltd. The purchase consideration was GHS70 million (seventy million Ghanaian cedi) which amounted to R172 million. The realised profit on sale was R141 million.

Disposal of STANLIB Investment Management Services Proprietary Limited

Effective 31 December 2019, Liberty Holdings Botswana Proprietary Limited, a wholly owned subsidiary of Liberty Holdings Limited, disposed of 100% of its shares in STANLIB Investment Management Services Proprietary Limited. The proceeds on disposal were R2 million, equivalent to the remeasured IFRS net asset value.

OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

as at 31 December 2019

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 Financial Instruments: Presentation. The table below sets out the nature of agreements and the types of rights relating to items which do not qualify for offset but that are subject to a master netting arrangements (MNA) or similar agreements.

	NATURE OF AGREEMENT	RELATED RIGHTS
Derivative assets and liabilities	International swaps and derivatives agreements	The agreement allows for offset in the event of default
Repurchase agreements	Global master repurchase agreements	
Collateral deposits payable	Global master securities lending arrangements	

Rm (Audited)	Total	Not subject to MNA or similar agreements	Subject to MNA or similar agreements	Financial collateral ⁽¹⁾	Net
2019					
Assets					
Assets held for trading and for hedging	10 003	(1 087)	8 916	(7 645)	1 271
Total assets	10 003	(1 087)	8 916	(7 645)	1 271
Liabilities					
Liabilities held for trading and for hedging	7 932	(214)	7 718	(7 645)	73
Repurchase agreements liabilities	5 929		5 929	(5 810)	119
Collateral deposits payable	6 545		6 545	(6 545)	
Total liabilities	20 406	(214)	20 192	(20 000)	192
2018					
Assets					
Assets held for trading and for hedging	10 340	(1 496)	8 844	(8 008)	836
Total assets	10 340	(1 496)	8 844	(8 008)	836
Liabilities					
Liabilities held for trading and for hedging	8 457	(133)	8 324	(8 008)	316
Repurchase agreements liabilities	5 771		5 771	(5 680)	91
Collateral deposits payable	5 976		5 976	(5 976)	
Total liabilities	20 204	(133)	20 071	(19 664)	407

⁽¹⁾ Financial collateral relates to these instruments that are subject to MNA or similar agreements.

ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS UNDER IFRS 9

as at 31 December 2019

The tables below reflect the classification of the group's financial assets and financial liabilities split into the IFRS 9 measurement categories. The financial assets categories have been determined based on the contractual cash flow characteristics and business model of the entity. Other measurement basis refers to equity accounting under IAS 28, or balances under IFRS 4.

Rm (Audited)	Fair value through profit or loss			Fair value through other comprehensive income	Total fair value	Amor-tised cost	Other measurement basis	Total per statement of financial position
	Held for trading and hedging	Designated	Default					
Financial assets								
Interests in joint ventures			1 262		1 262		54	1 316
Interests in associates			16 168		16 168		10	16 178
Financial investments		2 223	329 053	19 142	350 418			350 418
Loan receivables			665		665	248		913
Assets held for hedging and for trading	10 003				10 003			10 003
Repurchase agreements, scrip and collateral assets			11 573		11 573			11 573
Prepayments, insurance and other receivables			2 284		2 284	817	1 578	4 679
Cash and cash equivalents			11 173		11 173	6 204		17 377
Total	10 003	2 223	372 178	19 142	403 546	7 269	1 642	412 457
Financial liabilities								
Financial liabilities under investment contracts		107 891			107 891			107 891
Third-party financial liabilities arising on consolidation of mutual funds		56 758			56 758			56 758
Financial liabilities		5 673			5 673	2 119		7 792
Liabilities held for trading and for hedging	7 932				7 932			7 932
Repurchase agreements liabilities and collateral deposits payable		12 474			12 474			12 474
Insurance and other payables		5 753			5 753	856	6 506	13 115
Total	7 932	188 549			196 481	2 975	6 506	205 962

ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS UNDER IFRS 9 (CONTINUED)

as at 31 December 2019

Rm (Audited)	Fair value through profit or loss			Fair value through other comprehensive income	Total fair value	Amortised cost	Other measurement basis	Total per statement of financial position
	Held for trading and hedging	Designated	Default					
2018								
Financial assets								
Interests in joint ventures			1 297		1 297		56	1 353
Interests in associates			13 824		13 824		10	13 834
Financial investments		2 486	308 339	16 803	327 628			327 628
Loan receivables			737		737	340		1 077
Assets held for hedging and for trading	10 340				10 340			10 340
Repurchase agreements, scrip and collateral assets			12 658		12 658			12 658
Prepayments, insurance and other receivables			3 037		3 037	664	1 252	4 953
Cash and cash equivalents			10 024		10 024	6 950		16 974
Total financial assets	10 340	2 486	349 916	16 803	379 545	7 954	1 318	388 817
Financial liabilities								
Financial liabilities under investment contracts		99 813			99 813			99 813
Third-party financial liabilities arising on consolidation of mutual funds		48 186			48 186			48 186
Financial liabilities		6 478			6 478	1 626		8 104
Liabilities held for trading and for hedging	8 457				8 457			8 457
Repurchase agreements liabilities and collateral deposits payable		11 747			11 747			11 747
Insurance and other payables		4 628			4 628	708	6 635	11 971
Total financial liabilities	8 457	170 852			179 309	2 334	6 635	188 278

CHANGE IN ACCOUNTING POLICIES

as at 31 December 2019

1. Adoption of IFRS 16 Leases

As a lessee

The group has applied IFRS 16 retrospectively from 1 January 2019 (the date of initial application), using the modified retrospective approach. Comparatives are not restated under this approach and therefore the group's previously reported financial results up to 31 December 2018 are presented in accordance with IAS 17 *Leases* and related interpretations. There was no impact to the group's opening retained earnings on adoption of IFRS 16. The core principle of IFRS 16 is that the lessee should recognise all rights and obligations arising from leasing arrangements on the statement of financial position. The most significant change relates to the accounting treatment for operating leases from the lessees' perspective, in that IFRS 16 eliminates the concept of operating and finance leases and introduces a single lessee accounting model where a right-of-use asset together with a lease liability, is recognised for all leases with a term of more than 12 months.

The group elected not to re-assess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rates as at 1 January 2019. The rates applied to discount the operating lease commitments ranged from 7%-18%, due to the multiple jurisdictions the group operates within, i.e. rates were determined for each different jurisdiction. The total discounted operating lease commitments and anticipated lease extensions for properties as at 1 January 2019 amounted to R278 million.

A right-of-use property asset was recognised on the same date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application (R278 million).

Deferred tax asset of R78 million and deferred tax liabilities of R78 million were raised on 1 January 2019 in respect of the transition IFRS 16 impacts.

In applying IFRS 16 for the first time, the group used certain other practical expedients permitted by the standard, namely the use of a single discount rate for a portfolio of leases with reasonably similar characteristics, the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases (as long as there was no option to extend), the exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application, and the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease. The group is applying the exemption for short-term and low value leases, the costs of which are expensed on a monthly basis.

Depreciation on the right-of-use asset and finance costs on the finance lease liability are recognised in the income statement, rather than the previously recognised operating lease charges (under IAS 17). The net impact to earnings for the year ended 31 December 2019 resulting from the difference between operating lease charges under IAS 17 and the IFRS 16 income statement expenses (depreciation and finance costs) is not significant (less than R50 million). As the impact is immaterial, disclosure on the impact of earnings per share has not been provided.

As a lessor

IFRS 16 did not introduce any significant changes for lessors, and as a result the group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

NOTES

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