



LIBERTY
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Liberty Holdings Limited
Financial results
for the year ended
31 December 2020

CONTENTS

Page

Financial performance indicators	1
Financial review	2
Accounting policies	8
Going concern	9
Key judgements in applying assumptions on application of accounting policies	10
Audit statement	17
Directors' responsibility	17
Explanation of terms	18
Consolidated statement of financial position	19
Consolidated statement of comprehensive income	20
Summary consolidated statement of changes in equity	21
Summary consolidated statement of cash flows	22
Headline (loss)/earnings and (loss)/earnings per share	23
Summary consolidated segment information	24
Group equity value report	28
Long-term insurance new business	34
Long-term insurance net customer cash flows	35
Assets under management	36
Asset management net external customer cash flows	36
Short-term insurance indicators	37
Fair value measurement	38
Accounting classifications of financial instruments under IFRS 9	48
Offsetting, enforceable master netting arrangements or similar agreements	50
Capital commitments	51
Retirement benefit obligations	52
Related parties	52
Disposal groups classified as held for sale	53
Restatement of prior year comparatives	54

FINANCIAL PERFORMANCE INDICATORS

for the year ended 31 December 2020

Rm (unless otherwise stated)	2020	2019	% change
Liberty Holdings Limited			
Earnings			
Normalised headline (loss)/earnings ⁽¹⁾	(1 572)	3 205	(>100)
Normalised headline (loss)/earnings per share (cents) ⁽¹⁾	(582,9)	1 174,2	(>100)
Normalised return on IFRS equity (%) ⁽¹⁾	(7,3)	14,0	
Group equity value			
Normalised group equity value per share (R) ⁽¹⁾	128,32	147,82	(13,2)
Normalised return on group equity value (%) ⁽¹⁾	(10,2)	11,5	
Distributions per share (cents)			
Normal ordinary share dividend ⁽²⁾	-	712	(100)
Interim normal ordinary share dividend	-	276	
Final normal ordinary share dividend	-	436	
Total assets under management (Rbn)	776	738	5,1
Long-term insurance operations			
Indexed new business (excluding contractual increases)	7 302	8 125	(10,1)
Embedded value of new business	24	407	(94,1)
New business margin (%)	0,1	1,0	
Net customer cash inflows	(3 397)	(142)	(>100)
Solvency capital requirement cover of Liberty Group Limited (times covered) ⁽³⁾	1,81	1,99	
Asset management – STANLIB South Africa			
Assets under management (Rbn)	614	568	8,1
Net cash inflows including money market ⁽⁴⁾	34 897	15 190	>100
Retail and institutional net cash inflows excluding money market ⁽⁴⁾	16 522	15 936	3,7
Money market net cash inflows/(outflows) ⁽⁴⁾	18 375	(746)	>100

⁽¹⁾ Normalised: headline (loss)/earnings, headline (loss)/earnings per share, return on IFRS equity, group equity value per share and return on group equity value. These measures reflect the economic reality 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⁾ Refer 'Dividend' section.

⁽³⁾ 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.

⁽⁴⁾ Excludes intergroup life funds.

Preparation and supervision:

This announcement of the Liberty Holdings Limited annual financial results for the year ended 31 December 2020 has been prepared by D Wichmann CA(SA), and supervised by M Norris CA(SA) (Executive: Group Finance) and Y Maharaj CA(SA) (Financial Director).

FINANCIAL REVIEW

for the year ended 31 December 2020

LIBERTY FULFILS ITS PURPOSE WHILST MAINTAINING CAPITAL STRENGTH

2020 in review

The COVID-19 pandemic ('the pandemic') created extraordinary health, economic and financial challenges during 2020, a year that will live long in the memories of all of humanity. South Africa, Liberty's largest market, has been subject to government-imposed lockdown restrictions designed to curb the spread of the virus for almost a year, with COVID-19 related deaths having increased to over 50 000.

We extend our sincere condolences to members of the Liberty community who have lost family and friends and are struggling with the trauma and stress induced by these extremely difficult times.

We remained true to our purpose and focused on our clients, advisers and employees

Our main priority in dealing with the pandemic was to ensure the health and safety of our employees and advisers and to provide uninterrupted service. Various premium relief measures were implemented during 2020 to assist our clients in managing their financial circumstances during these times. Support measures and digital initiatives adopted during the year helped sustain adviser practices across the business.

Being there to support our clients and their families at those most profound moments of human vulnerability lies at the heart of our purpose. As evidence of this, total death and disability claims paid during 2020 amounted to R11,7 billion, an 11,4% increase.

Total annuity payments to customers in the year were R8,6 billion, a 9,2% increase on 2019. This was a critical injection of income into society to sustain many vulnerable people in the latter years of their lives.

By leveraging our recent technology investments, the majority of our employees and advisers have worked, and continue to work, from home with a significant increase in the adoption of digital channels.

We established a pandemic reserve to meet client needs in difficult times

A pandemic reserve of R3 billion (before tax) was established at 30 June 2020 to prudently recognise the financial impact of the pandemic. This will give our clients the confidence that we are ready to support them in their times of need, while still remaining financially strong. The reserve is calculated on a prospective basis to cover the expected increase in mortality and retrenchment claims together with reduced persistency and increased expense impacts directly attributable to the pandemic. Judgement was applied to determine a reference scenario to estimate the financial impact

on Liberty's business due to the elevated insurance risks. This reference scenario was then applied to the measurement models under the respective IFRS, regulatory capital and group equity value frameworks. We have applied a key judgement that the majority of the remaining impact of the pandemic at 31 December 2020 will be evident within the next twelve months.

The reserve has been modelled using trends in actual infections from official government statistics and age-based COVID-19 mortality experience as evidenced in published research studies. Based on these studies and more recent data over the last few months, the reserve was reassessed on a prospective basis at 31 December 2020, resulting in a marginal increase at year end of R73 million (before tax).

We remained financially strong and resilient in the current climate

Liberty's operations remain financially sound and well capitalised, with the Solvency Capital Requirement ('SCR') cover ratio of Liberty Group Limited, the Group's main long-term insurance licence, at 1,81 times at 31 December 2020 (31 December 2019: 1,99 times). The 31 December 2020 SCR cover takes account of the operational and investment market impacts of the pandemic and the establishment of the pandemic reserve, underpinning our ability to fulfil our promises to policyholders and other stakeholders.

The operating environment was extremely challenging

Operational results for the year were materially impacted by the pandemic in various ways. Besides the establishment of a pandemic reserve, the significantly lower new business volumes in the absence of face-to-face sales and consequently lower value of new business, had a material influence on the results. Other major factors included the impact of adverse and volatile equity and interest rate market movements on the insurance book and on the LibFin Markets asset liability management portfolio.

As mentioned above, premium relief measures were implemented to assist clients experiencing financial hardship. Unplanned pandemic related expenses were incurred to protect the safety of our employees and advisers in order to allow them to continue providing uninterrupted services to our clients. Acceleration of the rollout of digital tools to our advisers enabled improved sales productivity in the second half of 2020.

The extraordinary financial market volatility and the resultant impact, particularly on long-term illiquid asset values including the Liberty Property Portfolio, was evident in negative investment returns from the Shareholder Investment Portfolio (SIP) for the first half of the year. The SIP however delivered significantly improved investment returns in the second half of 2020 relative to the first half, particularly in the final quarter of 2020.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2020

We continued investing for the future and implementing our strategy

Liberty has not changed its strategy or purpose as a result of the pandemic. Indeed, the crisis has reinforced the importance of our purpose and has led to a deepened focus on, and acceleration of, key initiatives to develop a more competitive and future ready enterprise.

In this context, we have three key focus areas:

- Significantly enhancing the quality of our client and adviser experience;
- Delivering transparent and intuitive risk and investment solutions suitable for the digital age; and
- Aggressively simplifying our whole organisation.

In this way, we aim to produce a Liberty that meets our clients' needs more effectively and efficiently, and is capable of producing appropriate long-term returns on equity for shareholders.

Good progress was made in advancing these plans in 2020, particularly in the second half, and these efforts will continue in 2021.

While we expect continued restrictions and other pandemic related impacts in the year ahead, we are confident that we will continue to make meaningful progress in advancing our strategic investment in the future Liberty, while providing excellent service to our clients and advisers.

Group financial performance

Liberty incurred a normalised operating loss for the year ended 31 December 2020 of R1 599 million compared to normalised operating earnings of R2 201 million for the year ended 31 December 2019. The normalised operating loss includes the R2 227 million net after tax cost of establishing the pandemic reserve which, if excluded from the result, would reflect normalised operating earnings for the year of R628 million.

The SIP generated a profit of R27 million for the year.

Accordingly, Liberty is reporting a normalised headline loss for the year ended 31 December 2020 of R1 572 million, compared to normalised headline earnings of R3 205 million in the prior year. Normalised annual return on equity was negative 7,3% compared to positive 14,0% for 2019.

The headline loss for the year of R1 539 million, which includes a positive adjustment of R37 million (2019: positive R55 million) arising from the consolidation of the Liberty Two Degrees listed REIT, compares to headline earnings of R3 254 million for the prior year.

Normalised group equity value per share decreased from R147,82 in the prior year to R128,32. The normalised annual return on group equity value (RoGEV) was negative 10,2% compared to positive 11,5% in the prior year. The negative RoGEV is largely attributable to the operational impacts of COVID-19, which includes the impact of the establishment of the pandemic reserve, certain long-term actuarial assumption changes in the SA insurance operations and the impact of lower investment returns on the SIP earnings.

Group long-term insurance indexed new business of R7 302 million has been significantly impacted by the lockdown restrictions and is 10,1% below the prior year of R8 125 million. Adviser productivity, in the absence of face-to-face sales, was significantly impacted during the initial lock down period. Following the relaxation of South African lockdown restrictions, indexed new business has reflected an encouraging improvement in the second half of 2020, particularly in the fourth quarter of 2020.

The group value of new business ('VoNB') declined to R24 million from R407 million in 2019. This decline is mainly attributable to the decline in the SA Retail VoNB from R290 million in the prior year to R30 million, due largely to lower sales volumes whilst acquisition expenses continue to increase at inflationary levels.

Group net external third party client cash inflows increased to R30,2 billion from R13,3 billion in 2019, supported mainly by robust STANLIB South Africa net external third party client cash inflows. Total group assets under management increased to R776 billion (31 December 2019: R738 billion) due mainly to the increase in STANLIB South Africa assets under management, partly offset by the exit of asset management operations in other African territories and the associated transfers of mandates to other external managers of R3,9 billion (31 December 2019: R25,4 billion).

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2020

Earnings by business unit

Rm (Unaudited)	2020	2019	% change
South African Insurance Operations	609	1 986	(69)
SA Retail	484	1 505	(68)
Liberty Corporate	38	109	(65)
Liberty Corporate – Fund rehabilitation	(80)	(24)	(>100)
LibFin Markets – credit portfolio	205	282	(27)
LibFin Markets – asset/liability matching and structuring portfolio	(38)	114	(>100)
South African Asset Management			
STANLIB South Africa	466	460	1
Africa Regions	21	54	(61)
Liberty Africa Insurance	37	29	28
Liberty Health ⁽¹⁾	(43)		(>100)
STANLIB Africa	27	25	8
Operations under ownership review⁽¹⁾	(54)	(147)	63
Group Strategic Initiatives	(307)	(171)	(80)
Central costs and sundry income	(107)	19	(>100)
Normalised operating earnings before COVID-19 pandemic reserve	628	2 201	(71)
Establishment of COVID-19 pandemic reserve	(2 227)		
Normalised operating (loss)/earnings	(1 599)	2 201	(>100)
Shareholder Investment Portfolio (SIP)	27	1 004	(97)
Normalised headline (loss)/earnings	(1 572)	3 205	(>100)
BEE preference share adjustment	(4)	(6)	33
Reversal of accounting mismatch arising on consolidation of L2D ⁽²⁾	37	55	(33)
Headline (loss)/earnings	(1 539)	3 254	(>100)

⁽¹⁾ During 2020 sales were completed of the asset management operations in Kenya and Uganda, Liberty General Insurance Malawi and Liberty Health Administration (Pty) Ltd ("LHA" - a licensed medical aid administrator in South Africa). Two business operations, namely the short term insurance operations in Botswana and Total Health Trust Limited in Nigeria (part of Health risk solutions) remain classified as disposal groups, as both are subject to sale processes at 31 December 2020. The balance of Health risk solutions, being mainly the provision of health expense insurance throughout sub-Saharan Africa, was reclassified back to continuing operations at 30 June 2020. This was due to no acceptable purchase offers being forthcoming.

⁽²⁾ 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) businesses, earnings contribution of R609 million was below 2019 earnings of R1 986 million.

SA Retail

Earnings from SA Retail, excluding the cost of establishing the pandemic reserve, amounted to R484 million compared to R1 505 million in 2019. The business experienced lower than anticipated risk profits in the early months of 2020 and elevated risk claims attributable to the pandemic for the second half of 2020 amounting to R624 million (R449 million post-tax). These

additional claims during the second half of 2020 have tracked to expectation based on the COVID-19 reference scenario used and have been absorbed within the pandemic reserve. Poorer persistency was experienced in 2020, reflecting the weakening South African economic climate, with increased client utilisation of risk benefit reduction options offered since commencement of the lockdown. However, persistency improved during the second half of the year aided by improved early duration risk lapses and premium relief on the investment books. Long-term assumptions in the business were strengthened by R424 million post tax, alongside insights gained from our greater focus on risk selection and in line with our expected long-term future experience. These changes relate particularly to risk experience on specific segments of our book from our enhanced risk selection insights, and risk and investment withdrawals term structures being implemented. Unanticipated pandemic related costs were incurred in respect of personal protective equipment, IT equipment, and enhanced communication and connectivity capabilities to facilitate remote working.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2020

New business productivity was severely hampered by the pandemic and the ensuing nationwide lockdown from the second quarter of 2020. Various management actions and digital enablement tools significantly improved sales channel support and buoyed new business from the lows of the second quarter of 2020, contributing to encouraging sales trends in the second half of 2020, with indexed new business for the final quarter of 2020 being 8.1% above the final quarter of 2019. Indexed new business sales of R6 520 million were 0,6% below the prior year with strong growth from the embedded credit channel offset by reduced sales of both risk and investment business. Conventional annuity new business increased strongly throughout the year relative to 2019. The business continued to focus on client retention activities, with retention teams fully capacitated and working remotely.

Significant management actions are in place to improve new business volumes whilst ensuring an improved cost efficiency. These include amongst others more digital enablement of advisers and the sales process through a digital engagement platform and the transformation of our advice based sales channels, enhanced risk selection strategies in product pricing, enhancing the investment offerings to clients via a new investment platform and cost management initiatives.

The SA Retail VoNB amounted to R30 million (2019: R290 million), with a margin of 0,1% (2019: 0,9%). This result is attributable to lower sales volumes during 2020 without the commensurate reduction in acquisition expenses and assumption changes negatively affecting the result. Net client cash outflows of R512 million reflected the impact of lower premium income, including premium relief measures taken up by clients, as well as higher annuity payments and death claims due to worse mortality brought on by the pandemic.

Liberty Corporate

Liberty Corporate earnings, excluding the cost of establishing the pandemic reserve, decreased from R109 million in 2019 to R38 million. The result included high volumes of group life assurance death claims in the first quarter of 2020 which were offset by positive balance sheet optimisation impacts from the annuity book. Elevated risk and funeral claims associated with the pandemic of R172 million (R124 million post-tax) have been set-off against the pandemic reserve. However, the reduced expected profit margin on these elevated claims, which could not be included in the pandemic reserve, has remained as a strain on the results. Subdued market returns and clients increasingly taking up premium relief options within the retirement books also negatively impacted the earnings for the year.

Indexed new business of R500 million (2019: R1 124 million) was severely impacted by current and prospective clients remaining cautious in the current economic environment, particularly in the Small, Medium and Micro Enterprise client segment which is under severe economic strain. More focus was also placed on retention within the sales force during the year due to the subdued new business activity. VoNB amounted to negative R6 million due to significantly lower sales without a commensurate reduction in acquisition expenses.

Net client cash outflows of R3 451 million (2019: outflows of R1 030 million) were adversely affected by lower new business sales, premium relief options exercised by clients resulting in lower regular premiums, higher member withdrawals and higher volumes of group life assurance death claims in 2020.

Liberty Corporate remains focused on reducing the levels of retirement fund unclaimed benefits on schemes under administration and is committed to exhausting all reasonable options to trace and facilitate the payment of benefits as soon as possible. Fund rehabilitation costs incurred and provided for relates to the commitment we have made to expediate the reinstatement of legacy retirement funds and supports our drive to simplify the organisation. Efforts to reinstate funds historically terminated remains a focus, with application made to the high court to reinstate a further 10 terminated funds, following the re-instatement of 25 funds in 2018.

LibFin Markets – Asset liability management and credit portfolio

The extraordinary volatility in the local equity and bond markets earlier in the year has negatively impacted the asset liability management (ALM) portfolio. The portfolio incurred a loss of R38 million (2019: profit of R114 million) mainly attributable to the high cost of rebalancing exposures from embedded investment guarantees, ensuring these remain within risk limits, and an increase in long-dated implied volatility.

Earnings from the credit portfolio amounted to R205 million (2019: R282 million). The deterioration in the business and economic environment resulted in valuations reflecting higher intrinsic credit risk which negatively impacted the portfolio earnings. Lower credit origination within the portfolio also contributed to the result. LibFin Markets assets under management (which includes the credit portfolio) amounted to R77 billion (31 December 2019: R70 billion).

South African Asset Management

STANLIB South Africa

STANLIB South Africa earnings of R466 million in 2020 (2019: R460 million) reflect higher fee income due mainly to strong cash inflows, partly offset by lower investment income. This solid performance in a year of turmoil demonstrates the benefits of having diverse sources of income between the insurance and asset management operations within the Group.

As a leading fixed income manager, STANLIB has benefited throughout the year from increased institutional money market inflows in the current risk averse environment. Net external third party client cash inflows increased to R34,9 billion from R15,2 billion in 2019. This result was supported by good institutional inflows to money market funds. Intragroup cash outflows for the year amounted to R12,4 billion.

Investment performance has continued to improve, with the STANLIB Bond core retail and the institutional STANLIB Core Bond funds delivering top quartile performance over one, three and five year time horizons.

Total assets under management by STANLIB South Africa amounted to R614 billion (31 December 2019: R568 billion). Assets under management were initially impacted by significant declines in values of most asset classes experienced in the three months to 31 March 2020, offset to an extent by weakness in the South African rand. Markets however recovered to some extent during the second and third quarters of 2020 and the final quarter investment market performance enabled most asset classes to end the year in positive territory. Strong cash inflows as noted above also contributed to the increase in assets under management.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2020

Africa Regions

Africa Regions comprise Liberty Africa Insurance, the STANLIB asset management continuing operations in the Southern African region and the majority of Liberty Health's operations which were reinstated as continuing operations with effect from 1 July 2020.

Earnings of R21 million (excluding the establishment of a pandemic reserve of R15 million) are below the prior year earnings of R54 million. Earnings were positively impacted by good performances in the Kenya short-term insurance and Botswana life insurance businesses. Performance of the asset management businesses was in line with the prior year. These positive impacts were offset by lower returns in weaker investment markets, new business constraints amid COVID-19 restrictions and the inclusion in 2020 of the loss from the Liberty Health operations which were moved back to continuing operations from 1 July 2020 (loss of R43 million). Assets under management were R18 billion at 31 December 2020 (31 December 2019: R18 billion).

Operations under ownership review

The sale of Liberty's shareholding in its Malawi short-term business to the other existing shareholders was completed at 30 June 2020. The sale of the asset management operations in Kenya and Uganda was completed during June 2020. In addition, the sale of the Liberty Health administration business was completed on 1 October 2020.

Included in the loss of R54 million for these operations is a loss of R56 million reported by the Liberty Health businesses while under ownership review. The remaining operations under ownership review include the Nigerian health risk solutions business and the short-term insurance business in Botswana.

Group Strategic Initiatives

Investments of R307 million (2019: R171 million) were made to expedite the build of our client and adviser engagement and investment platforms as we continue to execute our strategic plans.

Central costs and sundry income

Although strict discipline over discretionary spend and a headcount freeze allowed savings in recurring expenses, this benefit was offset by unplanned costs incurred relating to COVID-19, including technology spend for remote work capabilities and the impairment of certain strategic assets.

Shareholder Investment Portfolio (SIP)

The SIP includes the assets backing capital in the insurance operations as well as the Group's market exposure to the 90:10 book of business and other property assets.

The extraordinary investment market volatility experienced during 2020 and the resultant impact, particularly on long-term illiquid asset values which include both the Liberty Property Portfolio and the alternatives asset classes, resulted in the SIP delivering a gross return of 1,9% (2019: 8,0%) and reflecting a profit of R27 million (2019: profit of R1 004 million). The performance of the SIP remains vulnerable to continued market volatility. However, the SIP exposure to financial markets remains appropriate in the context of the Group's risk appetite and capital management strategy.

Liberty Two Degrees (L2D)

L2D released its results for the year ended 31 December 2020 on 22 February 2021. The results are available at www.liberty2degrees.co.za.

Bancassurance

The bancassurance agreement with Standard Bank Group, which is applicable across the Group's operations, remains of strategic importance. The total indexed new business premiums sold under the agreement increased by 6,2% compared to 2019, largely due to increased credit life sales in South Africa.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2020

Dividends

The significant uncertainty that currently exists regarding the spread of the COVID-19 virus in South Africa in the short term and its economic consequences resulted in the Board deciding not to declare any dividends in respect of the year ended 31 December 2020, despite the Group's strong capital position and marginally positive core operating earnings.

Prospects

These extraordinary times demand extraordinary responses, from our employees, advisers and clients. As a community, we have weathered this storm so far, and intend to continue on the strategic path we have chosen.

The year ahead is likely to be unpredictable, and filled with uncertainty and challenge. New business volumes and margins are likely to remain under pressure given the financial challenges facing households and businesses in South Africa in the current health and socio-economic environment. Earnings are consequently also likely to be constrained.

Notwithstanding these uncertainties, the Group is expected to remain well capitalised and able to provide uninterrupted service to our clients and advisers, continuing to fulfil our purpose.

We remain confident in our strategy to focus on our client and adviser experience, transparent, accessible digital risk and investment solutions, and an unremitting drive for simplicity. We are accelerating the work to become more competitive and flexible, to service and support clients and advisers of the future, offering them simple and intuitive solutions on their journeys towards securing financial freedom.

We would like to thank the Liberty community for their extraordinary commitment, resilience and hard work, and our clients for their continued support.

David Munro
Group chief executive

Jacko Maree
Chairman

4 March 2021



LIBERTY

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

ACCOUNTING POLICIES

The 2020 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*;
- 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 2020.

The accounting policies applied in the preparation of the annual financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the mandatory adoption of amendments to IFRS effective for 1 January 2020 and the early adoption of certain amendments as listed below.

The impact on the group's financial results, disclosures or comparative information as a result of these amendments is not significant.

Mandatory adoption of IFRS amendments

IFRS 3 *Business Combinations* (amendment) (IFRS 3)

The amendment clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 7 *Financial Instruments: Disclosures* (IFRS 7), IFRS 9 *Financial Instruments* (amendments) (IFRS 9) and IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39)

Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendment to IAS 1 *Presentation of financial statements* and IAS 8 *Accounting policies, changes in accounting estimates and errors* on the definition of material

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs were to ensure that there is a consistent definition of materiality through IFRS and the Conceptual Framework for Financial Reporting, to clarify the explanation of the definition of material, and to incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: *"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."*

Early adoption of IFRS amendments

IFRS 3 *Business Combinations* (amendments) (IFRS 3)

This standard requires an entity to refer to the Conceptual Framework for Financial Reporting in determining what constitutes an asset or a liability. The amendments update the reference from the previous version of the Conceptual Framework that existed to the version issued in March 2018 and adds an exception for some types of liabilities and contingent liabilities to refer to IAS 37 instead of the Conceptual Framework.

IAS 16 *Property, Plant and Equipment* (amendments) (IAS 16)

Narrow-scope amendments have been made to IAS 16 for the accounting of amounts received when selling items produced while an entity is preparing an asset for its intended use. The amendments clarify the accounting requirements in prohibiting the entity from deducting such amount from the cost of property, plant and equipment and instead recognising such sales proceeds and related cost in profit or loss.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (amendments) (IAS 37)

Narrow-scope amendments have been made to IAS 37 in determining which costs to include in estimating the cost of fulfilling a contract for the purposes of assessing whether that contract is onerous. The amendments clarify that the cost of fulfilling the contract includes both the incremental costs of fulfilling the contract and an allocation of costs that relate directly to fulfilling contracts.

Restatement of prior year comparatives

Refer to the 'Restatement of prior year comparatives' section for details on all the restatements to the previously reported comparatives.

New standards not yet effective

IFRS 17 *Insurance Contracts* (effective 1 January 2023) will have a significant financial reporting impact for the group. Management is assessing this impact under a focussed project.

GOING CONCERN

The directors have assessed the impact of the COVID-19 pandemic (COVID-19) and related economic impacts on the group as well as on the client segments, industries and regions in which the group operates. There is a heightened level of uncertainty with the advent of this pandemic which can reasonably be defined as a 1 in 100-year event. In response to the classification of the virus as a global pandemic, the group established two crisis committees, namely Business Operations (with a focus on operational aspects) and Rapid Business Response (with a focus on commercial business risks). Both committees report directly to the Group Executive Committee which is the overall crisis management governance body. These committees meet frequently to ensure that all risks are considered and continuously monitored, and that mitigating controls and actions have been put in place to address emerging business risks, as well as address the needs and other considerations related to employees, advisors, customers and other stakeholders.

The 'Key judgements in applying assumptions on application of accounting policies' included in this report, as well as the 'Risk management' section included in the annual financial statements detail management's assessment of the risks presented by the impacts of the pandemic as well as the key assumptions applied in the preparation of these results. In particular, details of the scenario modelled in estimating the pandemic reserve that sets aside financial resources to provide for the potential future impacts of the pandemic, various sensitivities to the key assumptions and key actions taken to assist policyholders as well as the business during this time are disclosed. Asset values, where valuation models are used to determine fair value, have been reviewed in detail by internal or external valuation experts. These reviews have taken into consideration the group's key assumptions applied in the COVID-19 reference scenario and used for the measurement of insurance liabilities.

The group's capital management processes are designed to withstand infrequent adverse events such as this pandemic. This is evidenced in the group's solvency position, with Liberty Group Limited (LGL), the group's main insurance company, remaining well capitalised with a solvency capital coverage ratio of 1,81 times at 31 December 2020, which is comfortably within the capital coverage target range of 1,5 – 2,0 times. Liberty's risk appetite is set based on three dimensions, being normalised IFRS headline earnings, regulatory capital coverage and economic value at risk. After the establishment and reassessment of the pandemic reserve on a forward looking prospective basis at 31 December 2020 of R2 291 million (net of reinsurance) (pre-taxation and pre-allocation of non-controlling interests' share in Africa regions) due to COVID-19, Liberty still remains within risk appetite and risk target on all its risk dimensions at 31 December 2020. In addition, various stress tests, through an out of cycle Own Risk and Solvency Assessment (ORSA) were performed. These stresses assessed risks against the risk appetite dimensions under several plausible scenarios.

Based on all these reviews, the directors consider it is appropriate for the going concern basis to be adopted in preparing the annual financial statements.

KEY JUDGEMENTS IN APPLYING ASSUMPTIONS ON APPLICATION OF ACCOUNTING POLICIES

for the year ended 31 December 2020

Key assumptions can materially affect the reported amounts of assets and liabilities. The assumptions require complex management judgements and are therefore continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Considering the COVID-19 pandemic emergence in the early part of 2020, the directors and management were required to apply significant key judgement to the potential future impact that COVID-19 will have on the group's operations and the associated IFRS measurement of various assets and liabilities as at 31 December 2020. The assets and liabilities where measurement judgement has been significant, have been identified and are summarised below. For the full details of the group's key judgements, refer to Liberty Holdings Limited's annual financial statements for the year ended 31 December 2020.

Despite significant pandemic experience having emerged over 2020, particularly in South Africa in comparison to the other regions of Africa in which the group operates, there is still considerable uncertainty both demographically and economically in estimating future developments as at 31 December 2020.

Given the significant remaining net adverse financial impact that COVID-19 is expected to have on the measurement of policyholder insurance contract liabilities, as a result of changes in management's view of the future best estimate cash flows, additional disclosures have been provided in this section to assist in understanding the estimated impacts to the group's IFRS earnings, group equity value (including SA covered business embedded value) and the group's solvency capital position as measured in accordance with the Insurance Act of South Africa.

Assumed COVID-19 scenario

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organisation. Since then the virus has continued to spread rapidly in most parts of the world over multiple waves, with significant waves of infection starting in South Africa in both June 2020 and November 2020. Significant health risk mitigation measures were introduced by governments in many jurisdictions, including South Africa and most jurisdictions in which Liberty operates. These risk mitigation measures include various social distancing measures, commonly known as "lockdown" regulations, that have typically been implemented in phased approaches to limit the spread particularly when it is being forecast that health care systems would be overwhelmed.

As a result of COVID-19, the group included significantly more detail than usual in its interim results for the six months ended 30 June 2020, relating to an assumed COVID-19 reference scenario and associated key judgements. This reference scenario has been updated for the year ended 31 December 2020.

In preparing the 30 June 2020 results management acknowledged that there was a significant level of uncertainty over the short- and long-term impacts that COVID-19 may have on the group's business and had applied a key judgement that the bulk of the impact would be evident within twelve to eighteen months ('the short-term'). Consistent with this judgement, the bulk of the remaining short-term impact at 31 December 2020 is expected within the next 12 months. Great uncertainty about the long-term impact of the pandemic still remains. In anticipation of vaccination rollouts at frequencies required to suppress new evolving variants, and improvements in therapeutics and medical access, it is assumed that COVID-19 experience will fall within the typical variability of experience arising from general contagious disease spread in the long-term. Further, with no clear indication that there is any material adverse long-term impact of the pandemic, no specific long-term assumption changes have been made in respect of COVID-19. However, in the application of setting long-term assumptions as per the assumption setting policy, a higher degree of prudence has been exercised, given increased uncertainty arising from the current environment.

Management established a 'reference scenario' in order to quantify a best estimate of the likely financial outcome, based on all relevant and reliable external data sources that are currently available, whilst recognising that the range of outcomes is large. This reference scenario was then applied, where applicable, to the assets and liabilities measurement models under the respective requirements of the IFRS, regulatory capital and group equity value (GEV) frameworks.

In respect of policyholder insurance contracts measurement, this has resulted in the recognition of a short-term pandemic reserve of pre-tax R2 291 million (30 June 2020: R 3 041 million) net of reinsurance for IFRS purposes and a post-tax R1 077 million (30 June 2020: R828 million) value of in-force impairment in respect of South African (SA) covered business embedded value as at 31 December 2020. Related pandemic reserve adjustments to the group's main regulated insurance entity, LGL required capital and available capital resulted in the LGL solvency capital requirement cover ratio decreasing from 1,91 (excluding the pandemic reserve) to 1,81 at 31 December 2020 (2019: 1,99).

The revised reference scenario assumption for South Africa is that a remaining 40% of the population will be infected with the virus after the reporting date before the severity of the disease is reduced to immaterial levels. Of the individuals infected 20% are assumed to experience mortality rates by age similar to that experienced internationally (Wuhan mortality rates were assumed). The other 80% of individuals infected are assumed to recover. It is assumed that vaccinations will prevent any material fatal COVID-19 related infections (including reinfection) after the remaining 40% assumed infection point referenced above has been reached.

In combination, these assumptions imply that a remaining 8% (i.e. 20% of 40%) of the population of South Africa, will be subject to the mortality rates experienced in Wuhan by age. Age-based COVID-19 mortality experience as evidenced in the published Wuhan research study, as shown below, has been assumed to apply to these remaining 8% of cases.

KEY JUDGEMENTS IN APPLYING ASSUMPTIONS ON APPLICATION OF ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2020

Age	Case fatality rate as reported in Wuhan
0-10	0,0%
10-20	0,2%
20-30	0,2%
30-40	0,2%
40-50	0,4%
50-60	1,3%
60-70	3,6%
70-80	8,0%
80+	14,8%

Although other studies have been published since the initial Wuhan study, the Wuhan study is considered to be appropriately reflective of the case fatality rates by age given the level of unreported infections assumed. It is also considered broadly consistent with the aggregate severity in terms of financial impact from mortality that Liberty has experienced. In the African regions outside of South Africa in which the group operates a more conservative assumption than the remaining 8% of Wuhan mortality has been adopted given the apparent delayed spread of infections in these regions with relatively fewer excess claims during 2020 than in South Africa.

As referenced in the interim financial statements, given the potential risks associated with South Africa's prevalence of HIV and TB being significantly higher than in Wuhan, and a risk that the healthcare system in South Africa could become more overwhelmed than what occurred in Wuhan, there was a risk that the South African population's excess mortality experience would be higher than in Wuhan. With current excess deaths as reported by the South African Medical Research Council already over 2 times the ultimate estimated excess deaths for the population under the reference scenario as reported at 30 June 2020, this risk appears to have materialised.

However, with Liberty's mortality exposure concentrated in the affluent underwritten segment that has lower levels of HIV and TB and generally better access to healthcare than the general population, this risk was considered to be reduced for the group. Based on the actual claims experience of the group in the second half of 2020, this assumption of reduced risk appears to have been borne out in practice with the aggregate severity in terms of financial impact of mortality experienced by the group being broadly consistent with Wuhan mortality. There are indications that mortality has been worse, although not as marked as in the general population, in Liberty's non-underwritten segments. These are the relatively smaller emerging consumer market, embedded bancassurance and corporate risk segments, and annuities which have an offsetting financial impact. The net impact of the worse than assumed mortality on these non-underwritten segments is negligible relative to the impact of the excess mortality impact on the affluent book being broadly consistent with the assumption.

The measures taken by governments and individuals to control the spread of the pandemic have resulted in recessionary economic environments in all regions where the group operates.

While easing of these measures is gradually improving economic activity, management's expectation is that depressed economic activity is expected to prevail until the end of 2021. Thereafter economic growth is anticipated to resume to average long-term expectations. South African Gross Domestic Product is estimated to have contracted by 8% in 2020. Although real annual growth is forecast for South Africa from 2021, the Gross Domestic Product is currently only expected to reach pre-pandemic levels in the next 2 - 4 years.

As a result of the economic environment, it was anticipated in the reference scenario that there would be increased retrenchments. Although significant job losses have been incurred in the broader economy in up to the third quarter in 2020 as per reporting by Stats SA, retrenchments in the formal sector as per Stats SA and amongst Liberty's customers, based on internal experience of retrenchment benefits, have been significantly lower than the additional 4% assumed for 2020 in the pandemic reserve at 30 June 2020. A significant number of retrenchments among Liberty's customer base are still expected to occur as delayed adverse employment impacts of the pandemic are still anticipated to unfold.

Details of key judgements applied

A summary of the relevant significant key judgements applied to the applicable asset and liability measurement models are detailed below for each applicable asset or liability classification.

Policyholder insurance contracts and investment contracts with discretionary participation features

Liberty is predominately a long-term insurer providing risk cover (including death and disability) and investment solutions to a broad range of individuals either directly or indirectly through retirement funds. Consequently, Liberty's financial results are materially impacted by estimates of policyholder behaviour relating to the ability to continue paying premiums (lapse risk), retrenchment risk events, and exposure to claims mainly through the occurrence of mortality and morbidity.

Policyholder assets and liabilities under long-term insurance contracts and related reinsurance assets and liabilities:

Liability and asset determination: Policyholder assets and liabilities under insurance contracts include provisions for the net present value of expected future benefits and expected future costs, less expected future premiums; plus, claims incurred and not reported (IBNR). An IBNR provision is an estimate of the ultimate cost of claims where the loss event has occurred prior to financial position date, but which have not been reported at that date. In South Africa, material excess deaths occurred at the end of 2020, particularly in December, arising from the second wave of the pandemic. The IBNR at 31 December 2020 factored in an additional R342 million net of expected reinsurance recoveries, which was absorbed by the pandemic reserve, to reflect the estimated excess death claims incurred in 2020 arising from this second wave yet to be reflected in the development of reported claims by the financial reporting date.

KEY JUDGEMENTS IN APPLYING ASSUMPTIONS ON APPLICATION OF ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2020

Reinsurance assets and liabilities under insurance contracts include provisions for the net present value of expected future reinsurance premiums and expected future reinsurance recoveries.

The key long-term assumptions applied, and analysis of their sensitivity are detailed in the annual financial statements for the year ended 31 December 2020. The long-term demographic assumptions, used in contract measurement at 31 December 2020, have been strengthened from those applied at 31 December 2019 in line with the assumption setting policy based on pre-pandemic experience, taking the increased uncertainty arising from the current environment into consideration. However, no specific long-term assumptions have been made in respect of COVID-19. There are certain risks posed by the pandemic to some of the long-term insurance risks. These risks are discussed in more detail under insurance risk in the Risk management section in the annual financial statements. Economic assumptions have been updated to reflect the current applicable investment market experience.

The reference scenario resulted in the establishment of a pandemic reserve (increase in insurance contract liabilities) at 30 June 2020 on the various reported financial metrics in respect of insurance contracts in-force. This reflected the estimated net adverse impact in the short-term to the best estimate cash flows and related margins, of these insurance contracts in excess of the supportable long-term assumptions. These impacts are a combination of the likely impact to the health of customers (mortality and morbidity) as well as the indirect impacts that the pandemic and the measures taken by governments and individuals to control the spread of the pandemic have had on economic activity. These indirect impacts are likely to manifest in higher unemployment and reduced average individual income levels. In respect of insurance contracts, this increases the likelihood of retrenchment activity and higher policyholder terminations. The impacts have been assessed in accordance with the respective requirements of the various reporting metrics.

A pandemic reserve similarly reflecting the estimated net adverse impact in the short-term at 31 December 2020 based on a revised reference scenario has been maintained on various reported financial metrics. Overall, there has been a utilisation of the reserve in the second half of 2020 providing an offset to negative experience variances that have occurred over this period.

The pandemic reserve estimate at 31 December 2020 has been derived from the following assumptions:

- The age-based reported COVID-19 mortality experience of Wuhan will apply to 8% of Liberty's customers, including life assureds and annuitants;
- The lump sum disability experience outgo will increase by 35% over a one-year period;
- An additional 6% of retail customers are retrenched, above long-term assumptions;
- Liberty Corporate's customer revenue base reduces by 15% through a combination of increased customer terminations and member withdrawals related to the adverse economic conditions expected;
- 5% of Retail risk and voluntary investment policies will terminate; and
- Cost overruns in the short-term as a result of lower than budgeted new business volumes and higher than expected terminations.

The short-term impacts on dread disease and income disability benefits are expected to be within the typical variability of the long-term experience and are thus considered supportable by the long-term assumptions.

These assumptions have been consistently applied in the determination of the value of in-force contracts in the SA covered business embedded value, as well as for solvency capital requirement calculations.

Acquisition costs reflect the activities related to writing new business. In the second quarter of 2020 in particular there was reduced activity on writing new business and enhanced activity on retaining existing customers from the sales force. This shift in activity has been reflected in the value of new business via the existing acquisition cost allocation methodology.

KEY JUDGEMENTS IN APPLYING ASSUMPTIONS ON APPLICATION OF ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2020

The pandemic estimates have been disclosed on a net of reinsurance basis, allowing for expense modelling considerations and reinsurance recoveries where applicable. The gross pandemic estimates are included in the policyholder insurance contracts. The impacts of applying these assumptions on the various bases are summarised in the table below:

	Group Equity Value Total	IFRS Net Asset Value	Value of in-force net of cost of capital
Reference scenario – impact at 31 December 2020 (Rm)			
Pandemic reserve raised 30 June 2020 – net of tax and non-controlling interests	3 003	2 175	828
Pandemic reserve raised 30 June 2020 – net of reinsurance Taxation relief and non-controlling interests applied	4 191 (1 188)	3 041 (866)	1 150 (322)
Pandemic reserve utilised 01 July to 31 December 2020 – net of tax	(592)	(592)	
Pandemic reserve utilised 01 July to 31 December 2020 – net of reinsurance Taxation relief applied	(823) 231	(823) 231	
Pandemic reserve recalibration at 31 December 2020 – net of tax	301	52	249
Pandemic reserve recalibration at 31 December 2020 – net of reinsurance Taxation relief applied	419 (118)	73 (21)	346 (97)
Pandemic reserve at 31 December 2020 – net of tax and non-controlling interests	2 712	1 635	1 077
Pandemic reserve at 31 December 2020 – net of reinsurance Taxation relief and non-controlling interests applied	3 787 (1 075)	2 291 (656)	1 496 (419)
2020 cost of establishment of COVID-19 pandemic reserve – net of tax and non-controlling interests	3 304	2 227	
Pandemic reserve raised 30 June 2020 – net of tax and non-controlling interests	3 003	2 175	
Pandemic reserve recalibration at 31 December 2020 – net of tax	301	52	

LGL solvency capital requirement cover (times)

Reduction in LGL solvency capital requirement coverage ratio

(0,10)

The IFRS insurance liability adjustment includes an overall assessment of the liability adequacy requirement as prescribed under IFRS 4 *Insurance Contracts*.

KEY JUDGEMENTS IN APPLYING ASSUMPTIONS ON APPLICATION OF ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2020

Sensitivities to the LGL insurance contract pandemic reserve are tabled below. Mortality sensitivities have only been determined for an upward shock. The impact of a downward shock would be a profit similar in magnitude to the loss on the upward shock presented. The pre non-controlling interest and tax reserve of R41 million in respect of Liberty Africa Insurance has not been included in the sensitivities as it is considered immaterial from a group perspective. The impacts presented below are net of reinsurance and taxation consequences. Any taxation relief is assumed to be recoverable.

Sensitivity variable	IFRS contract boundary ⁽¹⁾	Adjustment to the reference scenario ⁽²⁾	Impact to the group's IFRS reported profit or loss for the year to 31 December 2020	Impact to the group's reported Group Equity Value earnings for the year to 31 December 2020	Impact to the LGL solvency capital requirement cover at 31 December 2020 (times covered)
			Rm	Rm	
Mortality risk experience - assured lives	Long	+4% absolute to the expected 8% of population experiencing Wuhan mortality in the calculation of the pandemic reserve (i.e. a 50% relative increase to the pandemic reserve in respect of mortality) ⁽³⁾ (equates approximately to a +14% relative increase to overall mortality on average for 1 year)	(344)	(320)	(0,019)
	Short		(82)	(79)	(0,005)
Mortality risk experience - annuitants			51	56	0,003
Lump sum disability risk experience	Long	+10% proportional increase for 1 year	(32)	(29)	(0,002)
	Short		(8)	(8)	(0,000)
Retail retrenchment risk experience ⁽⁴⁾	Long	+5% absolute increase for 1 year (equates to a greater than +200% relative increase for 1 year)	(25)	(23)	(0,001)
	Short			(55)	
Corporate withdrawals and terminations		+10% absolute increase in loss of customer revenue base (equates approximately to a +100% relative increase on average for 1 year)		(184)	
Retail Risk and investment policy terminations		+5% absolute increase on Retail risk and voluntary investment business (equates approximately to a +50% relative increase on average for 1 year)	(483)	(1 092)	(0,072)

⁽¹⁾ In some instances, the sensitivities have been split dependent on whether the IFRS contract boundary is considered short or long. Short boundary business encompasses Corporate risk fund business, and Retail embedded credit business. The balance of the group's business is categorised as long boundary. This is to facilitate a comparison with the IFRS sensitivities provided in the Risk management section in the annual financial statements for the year ended 31 December 2020, since the impact on the sensitivities is zero for contracts with a short boundary definition, but given the extent of the stress in the short-term it does give rise to a sensitivity in the table above.

⁽²⁾ In some instances, approximate proportional sensitivities have been provided to aid comparison with the sensitivities provided in the Risk management section in the annual financial statements, after adjusting with a suitable assumed discounted weighted average outstanding term of the cashflows. The stresses have been calibrated such that the actual financial consequence, if adverse, is reasonably likely to fall within the impact disclosed above.

⁽³⁾ The 50% relative stress is considered a reasonable stress to appropriately reflect the range of likely impact for Liberty given its small weighted exposure to HIV and TB relative to the population.

⁽⁴⁾ The typical net impact on the group for variations in retrenchment is immaterial. However, the unprecedented levels of retrenchment that are assumed in the reference scenario, resulting in a relative stress in excess of 240%, are significantly in excess of anything the group would have envisaged as a reasonable range. However, even at these extreme levels, the net impact on the group is not significant in relation to the aggregate impact of the reference scenario.

KEY JUDGEMENTS IN APPLYING ASSUMPTIONS ON APPLICATION OF ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2020

Policyholder liabilities – investment contracts with discretionary participation features

Liability determination: The full liability represents the total fair value of the matching asset portfolio and an estimate of the cost of any guarantees provided. Current policyholder obligations are estimated by calculating a net present value of expected future cash flows allowing for assumed future bonus rates. The difference between the fair value of the matching asset portfolio and the estimate of the current policyholder obligations is the bonus stabilisation reserve. The reference scenario has not directly impacted the measurement of investment contracts with discretionary participation features at 31 December 2020. This is because the associated changes in expected future cashflows do not impact the measurement of the referenced asset portfolios at the financial reporting date. Furthermore, the impact on financial metrics on other bases is negligible given the nature of these contracts. Funding levels on all material funds remain above 100%, and the only fund below the 100% funding level had a bonus stabilisation reserve of less than negative R25 million.

Defined post-employment benefits

In respect of Liberty's post-employment benefits, being a defined benefit pension scheme and a post-retirement medical aid benefit, a key exposure is to the longevity risk of qualifying employees in service and pensioners in payment.

The reference long-term mortality curves have not been changed from those applied at 31 December 2019, however the reference scenario, as detailed above in respect of mortality impacts were considered in relation to the determination of the liability for these respective benefits. The net impact was immaterial for both post-employment benefits for the year ended 31 December 2020.

Further details of these post-retirement benefits are contained in note 24 in the annual financial statements for the year ended 31 December 2020.

Properties classification and fair value measurement

The group invests in various properties which are predominantly owned for investment return. Certain properties house various of the group's insurance and asset management operations and these are classified as "owner-occupied" properties under IAS 16. The balance of the properties is let to various tenants under lease agreements as defined under IFRS 16. These properties are classified as "investment properties" under IAS 40. Investment properties are measured at fair value by external valuation appraisers, taking into account characteristics of the properties that market participants would consider when pricing the property at measurement date. The key assumptions in determination of the fair value are the rent reversion factors, exit capitalisation rates and discount rates. Other inputs considered relate to expense growth, rental growth, existing tenant terms, location, vacancy rates and restrictions, if any, on the sale or use of the asset. The group applies judgement regarding the unit of account, i.e. whether it should be valued as a stand-alone property or as a group of properties. Determination of fair value also considers the current use of the

property in terms of its highest and best use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible. Management derived discount rates are risk adjusted to factor in liquidity and asset class risk.

The fair values of the investment properties in South Africa at 31 December 2020 have been revised in consultation with external valuers, considering the current economic environment and lockdown regulations and the estimated impact to all the valuation inputs. There have been no changes applied to the unit of account and derived use.

Valuations have been negatively impacted by *inter alia*, the negative effect of COVID-19 on current year rentals and growth assumptions for the forecasted period, higher vacancies, the potential for negative reversions and the time required to re-let vacant space. The valuers have also applied more conservative valuation metrics, including adjustments to exit capitalisation rates, discount rates and an increase in the periods allowed to re-let space. Jones Lang LaSelle, who value the majority of the group's South African portfolio, have emphasised the valuations disclosed as reported on "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty should be attached to the valuations. In spite of the material uncertainty noted by the independent valuers, the group is satisfied with property valuations as at 31 December 2020.

Refer to note 28 on the Fair value hierarchy in the annual financial statements for specific details of the valuation techniques and assumptions applied as well as a sensitivity analysis on the fair value of these properties to a change in the exit capitalisation and discount rate assumptions.

During July 2020, the sale of an office complex located in Century City, Cape Town was completed. The valuation of this property at 30 June 2020 reflected the sale price.

The fair values of the group's 100% owner-occupied properties were internally valued at 31 December 2020, with an insignificant fair value loss recognised for the year under review. The valuation is supported by a base external valuation as at 31 December 2019. Significant refurbishments are being undertaken in the majority of the owner-occupied properties and an external valuation was not deemed appropriate under these circumstances. IFRS does not require external valuations for owner-occupied properties on an annual basis.

KEY JUDGEMENTS IN APPLYING ASSUMPTIONS ON APPLICATION OF ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2020

Accounting for rental relief discounts

As detailed earlier in this section, during the first quarter of 2020 the South African Government imposed a national lockdown and declared a state of disaster in response to the COVID-19 pandemic. In line with government guidance certain of the group's investment properties, namely the retail shopping centres partially closed from 27 March 2020 with only essential tenants being allowed to trade through the "hard-lockdown" period. Gradual re-opening of the stores commenced as lockdown restrictions started easing with most of the portfolio able to trade by the third quarter of 2020 albeit under restricted trading conditions and within strict health and safety protocols. The lockdown and restricted trading had a significant impact on tenants being able to meet their lease obligations. In this regard, rental relief was provided using the following categories:

- Category one: The group provided a discount on rentals due, which was in arrears, as well as deferrals of rental over a defined short-term period. At the date of the agreement the discounts offered related to previous months that had already been invoiced to tenants. In terms of the group's accounting policy election, rental income is recognised as 100% of the amount billed, and the retrospective rental relief is recognised as a negative fair value adjustment to property debtors.
- Category two: For those tenants that fit into the restaurant category and other small tenants, the rental relief offered was in the form of a rental determined on a turnover basis from July 2020 to January 2021, on a sliding scale basis. The revised rental relief methodology means that the tenants will be liable for a minimum of 10% of basic rental and property expense recoveries. This will increase based on turnover achieved as a percentage of historical turnover. At a level of 90-95% of historical turnover, a tenant will become liable for their full lease obligations including basic rental and property expense recoveries.

IFRS 16 defines a lease modification as 'a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease'. A lease modification to an operating lease is accounted for as a new lease.

Accounting for changes in the lease payments over the term of the lease can be an area of judgement that depends on several factors, in particular considering the force majeure provision included in a lease agreement and whether this covers the unforeseen pandemic consequences. The group's view is that rental relief in category one is not considered a lease modification as it relates to past billed invoices and there was no change in the original lease agreement. Rental relief that relates to the second category will be classified as a lease modification as the agreement relates to forward-looking information. Furthermore, the scope of the agreement has changed to a turnover based rental as opposed to a fixed rental. As a result, these leases will be accounted for as a new lease from the effective date (the date when the agreement was concluded) of the modification.

AUDIT 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 2020, 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. The information extracted from the audited consolidated annual financial statements of Liberty Holdings Limited as presented in these statements and related notes are marked as 'audited'. This announcement itself is not audited.

The information extracted from the Liberty Holdings Limited's group equity value report, over which PwC have issued an unmodified assurance opinion has 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 2020 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.

Negative rand reserves

Negative liabilities (within long-term policyholder liabilities) and policyholder assets arising when the discounted value of expected future inflows exceeds the discounted value of expected future outflows.

Pandemic

The COVID-19 pandemic.

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 2020	1 063	504	559
IFRS profit or loss	40	40	
Group equity value earnings	166		166
Transaction between owners	44	(292)	336
Closing adjustment at 31 December 2020	1 313	252	1 061

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

Rm (Audited)	2020	Restated ⁽¹⁾ 2019	Restated ⁽¹⁾ 1 January 2019
Assets			
Intangible assets	498	611	572
Defined benefit pension fund employer surplus	89	117	140
Properties	30 823	36 642	35 961
Equipment	548	534	1 038
Right-of-use assets	463	196	278
Interests in joint ventures	510	1 316	1 353
Interests in associates	20 962	16 178	13 834
Deferred taxation	240	317	245
Deferred acquisition costs	784	790	777
Long-term policyholder assets – insurance contracts	5 050	7 017	6 708
Reinsurance assets	3 082	2 409	2 119
Long-term insurance	2 585	1 991	1 699
Short-term insurance	497	418	420
Financial investments	355 541	351 083	328 365
Policy loans receivable	230	248	340
Assets held for trading and for hedging	23 503	10 003	10 340
Repurchase agreements, scrip and collateral assets	8 617	11 573	12 658
Prepayments, insurance and other receivables	5 813	4 679	4 953
Cash and cash equivalents	18 632	17 377	16 974
Disposal group assets held for sale	213	584	897
Total assets	475 598	461 674	437 552
Liabilities			
Long-term policyholder liabilities	325 192	324 246	310 994
Insurance contracts	208 904	207 104	201 851
Investment contracts with discretionary participation features	9 334	10 224	10 406
Financial liabilities under investment contracts	106 954	106 918	98 737
Reinsurance liabilities	206	246	283
Third party financial liabilities arising on consolidation of mutual funds	61 505	56 758	48 186
Provisions	140	140	145
Deferred taxation	2 278	3 191	2 694
Deferred revenue	345	330	314
Short-term insurance liabilities	1 058	991	984
Financial liabilities	10 183	7 792	8 104
Lease liabilities	480	209	278
Liabilities held for trading and for hedging	18 105	7 932	8 457
Repurchase agreements, liabilities and collateral deposits payable	11 512	12 474	11 747
Employee benefits	1 341	1 376	1 377
Insurance and other payables	14 954	13 115	11 971
Current taxation	210	239	347
Disposal group liabilities held for sale	92	246	278
Total liabilities	447 601	429 285	406 159
Equity			
Shareholders' equity	21 013	24 068	23 003
Share capital	26	26	26
Share premium	4 952	5 066	5 104
Retained surplus	17 221	19 882	18 661
Other reserves	(1 186)	(906)	(788)
Non-controlling interests	6 984	8 321	8 390
Total equity	27 997	32 389	31 393
Total equity and liabilities	475 598	461 674	437 552

⁽¹⁾ Refer to 'Restatement of prior year comparatives' for more detail.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

Rm (Audited)	2020	Restated ⁽³⁾ 2019
Revenue		
Insurance premiums	41 816	42 182
Reinsurance premiums	(2 614)	(2 381)
Net insurance premiums	39 202	39 801
Revenue from contracts with customers	3 400	4 062
Investment income	2 946	3 199
Interest income on financial assets using the effective interest rate method	1 648	1 920
Fair value adjustment to assets held at fair value through profit or loss	18 847	35 451
Total income	66 043	84 433
Claims and policyholder benefits under insurance contracts	(40 224)	(41 901)
Insurance claims recovered from reinsurers	2 161	2 079
Change in long-term policyholder assets and liabilities	(2 291)	(4 487)
Liabilities under insurance contracts	(1 848)	(5 294)
Policyholder assets related to insurance contracts	(1967)	309
Investment contracts with discretionary participation features	889	168
Applicable to reinsurers	635	330
Fair value adjustment to long-term policyholder liabilities under investment contracts	(5 251)	(9 064)
Fair value adjustment to financial liabilities	(1 189)	(1 206)
Fair value adjustment on third party mutual fund interests	(4 488)	(6 327)
Acquisition costs	(4 058)	(4 241)
General marketing and administration expenses	(11 264)	(11 075)
Finance costs	(252)	(243)
Profit share allocations under bancassurance and other agreements	(1 472)	(1 512)
Remeasurement of disposal groups classified as held for sale	35	(319)
Profit on disposal of subsidiary	14	141
Equity accounted earnings from associates	18	21
Equity accounted earnings from joint ventures	(1)	(2)
(Loss)/profit before taxation	(2 219)	6 297
Taxation ⁽¹⁾	(403)	(2 662)
Total (loss)/earnings	(2 622)	3 635
Other comprehensive (loss)/income	(53)	9
Items that may be reclassified subsequently to profit or loss	(60)	(18)
Net change in fair value on cash flow hedges	(14)	47
Income and capital gains tax relating to net change in fair value on cash flow hedges	4	(13)
Net change in debt instruments measured at FVOCI		(15)
Income tax relating to movement in debt instrument measured at FVOCI		4
Foreign currency translation	(50)	(41)
Items that may not be reclassified subsequently to profit or loss	7	27
Owner-occupied properties - fair value adjustment	(84)	(8)
Income and capital gains tax relating to owner-occupied properties fair value adjustment	14	6
Change in long-term policyholder insurance liabilities (application of shadow accounting)	25	16
Actuarial gains on post-retirement medical aid liability	56	53
Income tax relating to post-retirement medical aid liability	(16)	(14)
Net adjustments to defined benefit pension fund ⁽²⁾	(24)	(19)
Income tax relating to defined benefit pension fund	7	5
Fair value adjustments to financial liabilities arising from own credit	40	(16)
Income tax relating to fair value adjustments to financial liabilities arising from own credit	(11)	4
Total comprehensive (loss)/income	(2 675)	3 644
Total (loss)/earnings attributable to:		
Shareholders' equity	(1 613)	3 078
Non-controlling interests	(1 009)	557
	(2 622)	3 635
Total comprehensive (loss)/income attributable to:		
Shareholders' equity	(1 647)	3 105
Non-controlling interests	(1 028)	539
	(2 675)	3 644
Basic and fully diluted (loss)/earnings per share	Cents	Cents
Basic (loss)/earnings per share	(611,7)	1 153,2
Fully diluted basic (loss)/earnings per share	(588,8)	1 112,0

⁽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.

⁽³⁾ Refer to 'Restatement of prior year comparatives' for more detail.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

Rm (Audited)	2020	2019
Balance of shareholders' equity at 1 January	24 068	23 003
Ordinary dividends	(1 199)	(1 915)
Total comprehensive (loss)/income	(1 647)	3 105
FCTR recycled through profit and loss	2	6
Share buy-back ⁽¹⁾	(362)	(278)
Black economic empowerment transaction	17	28
Share-based payments	101	127
Preference dividends	(2)	(2)
Disposal of interest in subsidiary – Liberty Life Swaziland		7
Acquisition of interest in subsidiary – Liberty Holdings Namibia		17
Transactions between owners – Liberty Two Degrees	35	(30)
Shareholders' equity	21 013	24 068
Balance of non-controlling interests at 1 January	8 321	8 390
Total comprehensive (loss)/income	(1 028)	539
FCTR recycled through profit and loss	2	
Acquisition of additional interest in unincorporated property consortiums		(180)
Unincorporated property partnerships net contributions/(distributions)	(124)	(246)
Non-controlling interests' share of subsidiary distributions	(123)	(182)
Share-based payments	7	8
Disposal of interest in subsidiary – Liberty General Insurance Malawi / (2019: Liberty Life Swaziland)	8	8
Acquisition of interest in subsidiary – Liberty Holdings Namibia		(25)
Transactions between owners – Liberty Two Degrees	(79)	9
Non-controlling interests	6 984	8 321
Total equity	27 997	32 389

⁽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 2020

Rm (Audited)	2020	2019
Cash flows from operating activities	(929)	2 021
Cash utilised by operations	(11 299)	(4 642)
Interest income on financial assets using the effective interest rate method	1 648	1 920
Distributions paid	(2 746)	(3 349)
Taxation paid	(1 243)	(2 363)
Net disposal of financial instruments ⁽¹⁾	14 938	10 612
Net disposal of other assets	827	293
Net (repayment of)/proceeds on collateral deposits payable	(2 638)	88
Other operating cash flows	(416)	(538)
Cash flows from investing activities	(290)	(184)
Net disposal of investments	355	
Net purchase of other and disposal groups assets	(647)	(451)
Acquisition of equity accounted joint ventures		(1)
Proceeds on sale of disposal groups classified as held for sale	2	268
Cash flows from financing activities	2 466	(1 396)
Net advance from/(repayment of) financial liabilities	1 932	(837)
Net repayment of lease liabilities	(86)	(78)
Net proceeds on/(repayment of) repurchase agreements liabilities	986	(58)
Net cash flows from equity transactions with non-controlling interests	(4)	(145)
Share buy-backs	(362)	(278)
Net increase in cash and cash equivalents	1 247	441
Cash and cash equivalents at the beginning of the year	17 377	16 974
Foreign currency translation	(44)	(22)
Disposal group assets reclassified as held for use /(classified as held for sale)	52	(16)
Cash and cash equivalents at the end of the year	18 632	17 377

⁽¹⁾ Included in the disposals of financial instruments for 2020 was R3 070 million (2019: R5 787 million) related to dividends received and R10 283 million (2019: R11 322 million) related to interest income.

HEADLINE (LOSS)/EARNINGS AND (LOSS)/EARNINGS PER SHARE

for the year ended 31 December 2020

Rm (unless otherwise stated)/(Audited)	2020	2019
Reconciliation of total (loss)/earnings to headline (loss)/earnings attributable to shareholders		
Total (loss)/earnings attributable to shareholders	(1 613)	3 078
Preference share dividend	(2)	(2)
Basic (loss)/earnings attributable to ordinary shareholders	(1 615)	3 076
Impairment of intangible assets	174	
Tax on headline earnings adjustable item	(49)	
Profit on disposal of subsidiary	(14)	(141)
Remeasurement of disposal groups classified as held for sale	(35)	319
Headline (loss)/earnings attributable to ordinary shareholders	(1 539)	3 254
Net income earned on BEE preference shares	4	6
Reversal of the accounting mismatch arising on consolidation of L2D ⁽¹⁾	(37)	(55)
Normalised headline (loss)/earnings attributable to ordinary shareholders	(1 572)	3 205
Weighted average number of shares in issue ('000)	264 036	266 726
Normalised weighted average number of shares in issue ('000)	269 696	272 943
Fully diluted weighted average number of shares in issue ('000)	274 299	276 617
(Loss)/earnings per share	Cents	Cents
Total (loss)/earnings attributable to ordinary shareholders		
Basic	(611,7)	1 153,2
Headline	(582,9)	1 220,0
Normalised headline	(582,9)	1 174,2
Fully diluted (loss)/earnings attributable to ordinary shareholders		
Basic	(588,8)	1 112,0
Headline	(561,1)	1 176,4

⁽¹⁾ Refer to Explanation of terms.

SUMMARY CONSOLIDATED SEGMENT INFORMATION

for the year ended 31 December 2020

The segment results for the year ended 31 December 2020 are as follows:

Rm (Audited)	South African operations		
	Insurance operations		Other operations ⁽¹⁾
	SA Retail	Liberty Corporate	
Total income	58 254	14 089	1 558
Profit/(loss) before taxation	(2 628)	(170)	249
Taxation ⁽²⁾	(98)	47	(85)
Total (loss)/earnings	(2 726)	(123)	164
Reconciliation of total earnings to headline earnings/(loss) attributable to shareholders			
Total (loss)/earnings	(2 726)	(123)	164
Attributable to non-controlling interests			619
Impairment of intangible assets	37	65	23
Remeasurement of disposal groups held for sale			(14)
Profit on sale of subsidiaries			(2)
Preference share dividend			(2)
Headline (loss)/earnings	(2 689)	(58)	790
Net income earned on BEE preference shares			4
Reversal of the accounting mismatch arising on consolidation of L2D			(37)
Normalised headline (loss)/earnings	(2 689)	(58)	757
Reconciliation of business operations (loss)/earnings to segment result			
South African Insurance Operations	446	243	(80)
SA Retail	484		
Liberty Corporate		38	
Liberty Corporate – Fund rehabilitation			(80)
LibFin Markets	(38)	205	
South African Asset Management			
STANLIB South Africa			
Africa regions			
Liberty Africa Insurance			
Liberty Health			
STANLIB Africa			
Shareholder Investment Portfolio	(1 126)	(35)	1 188
Group Strategic Initiatives			(307)
Central costs and sundry income	(63)		(44)
Establishment of COVID-19 pandemic reserve	(1 946)	(266)	
Normalised headline (loss)/earnings	(2 689)	(58)	757

⁽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.

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the year ended 31 December 2020

	Africa regions						
	Asset management STANLIB South Africa	Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total	Reporting adjustments ⁽²⁾	IFRS reported
	2 554	2 996	1 061	152	80 664	(14 621)	66 043
	619	170	(47)	41	(1 766)	(453)	(2 219)
	(153)	(83)	(20)	(11)	(403)		(403)
	466	87	(67)	30	(2 169)	(453)	(2 622)
	466	87	(67)	30	(2 169)	(453)	(2 622)
		(60)		(3)	556	453	1 009
					125		125
		(3)	(32)		(35)		(35)
					(14)		(14)
					(2)		(2)
	466	24	(99)	27	(1 539)		(1 539)
					4		4
					(37)		(37)
	466	24	(99)	27	(1 572)		(1 572)
					609		
					484		
					38		
					(80)		
					167		
	466				466		
		39	(99)	27	(33)		
		39			39		
			(99)		(99)		
				27	27		
					27		
					(307)		
					(107)		
		(15)			(2 227)		
	466	24	(99)	27	(1 572)		

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the year ended 31 December 2020

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.

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

Restated ⁽⁴⁾ 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 ⁽³⁾	(2 270)	(59)	(45)
Total earnings/(loss)	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			(141)
Profit on sale of subsidiary			(2)
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		109	
Liberty Corporate – Fund rehabilitation		(24)	
LibFin Markets	300	96	
South African Asset Management			
STANLIB South Africa			
Africa regions			
Liberty Africa Insurance			
Liberty Health			
STANLIB Africa			
Shareholder Investment Portfolio	627	11	366
Group Strategic Initiatives			(171)
Central costs and sundry income	(67)		86
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.

⁽⁴⁾ Refer 'Restatement of prior year comparatives' section.

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the year ended 31 December 2020

Asset management	Africa regions				Total	Reporting adjustments ⁽²⁾	IFRS reported
	STANLIB South Africa	Liberty Africa Insurance	Liberty Health	STANLIB Africa			
2 721	3 948	1 054	275	97 696	(13 263)	84 433	
647	132	(369)	(17)	6 014	283	6 297	
(187)	(94)	9	(16)	(2 662)		(2 662)	
460	38	(360)	(33)	3 352	283	3 635	
460	38	(360)	(33)	3 352	283	3 635	
	(53)	(4)	(4)	(274)	(283)	(557)	
	30	234	55	319		319	
				(141)		(141)	
				(2)		(2)	
460	15	(126)	18	3 254		3 254	
				6		6	
				(55)		(55)	
460	15	(126)	18	3 205		3 205	
				1 986			
				1 505			
				109			
				(24)			
				396			
460	15	(126)	18	460	(93)		
	15			15			
		(126)		(126)			
			18	18			
				1 004			
				(171)			
				19			
460	15	(126)	18	3 205			

GROUP EQUITY VALUE REPORT

for the year ended 31 December 2020

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 (2019: 10 times) multiple of estimated sustainable earnings.
STANLIB Africa	A 10 times (2019: 10 times) multiple of estimated sustainable earnings, adjusted for country risk.
Liberty Health	In light of the ongoing sub-optimal operations, the IFRS net asset value has been used.
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 2020 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 (2019: 9 times).

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2020

3. Normalised group equity value

3.1 Analysis of normalised group equity value

2020 Rm (Audited)	SA covered business	Other businesses	Total
Liberty Group Limited consolidated	15 165		15 165
STANLIB South Africa ⁽¹⁾		1 012	1 012
STANLIB Africa ⁽¹⁾		111	111
Liberty Health		433	433
Liberty Africa Insurance		959	959
Liberty Holdings		1 951	1 951
Operations under ownership review ⁽²⁾		69	69
Liberty Two Degrees adjustment to net asset value ⁽³⁾	1 294	19	1 313
Shareholders' equity reported under IFRS	16 459	4 554	21 013
Reverse deferred acquisition cost and deferred revenue liability	(307)		(307)
Frank Financial Services allowance for future expenses	(50)		(50)
BEE preference shares	64		64
Liberty Two Degrees adjustment ⁽³⁾	(1 294)	(19)	(1 313)
Allowance for employee share rights	(139)	(39)	(178)
Normalised net worth	14 733	4 496	19 229
Value of in-force – SA Retail	15 098		15 098
Value of in-force – Liberty Corporate	2 075		2 075
Cost of required capital	(3 242)		(3 242)
Fair value adjustment – STANLIB South Africa ⁽¹⁾		3 288	3 288
Fair value adjustment – STANLIB Africa ⁽¹⁾		159	159
Allowance for future shareholder expenses		(1 397)	(1 397)
Normalised equity value	28 664	6 546	35 210
(1) STANLIB valuation (Rm)	2020	2019	Change
STANLIB South Africa	4 300	4 300	
Net asset value	1 012	913	99
Fair value adjustment	3 288	3 387	(99)
STANLIB Africa	270	300	(30)
Net asset value ⁽¹⁾	111	88	23
Fair value adjustment	159	212	(53)
Total	4 570	4 600	(30)

⁽¹⁾ The STANLIB Africa net asset value reconciles to the positive R111 million (31 December 2019: positive R114 million) in table 3.1 above less Rnil million net asset value (31 December 2019: negative R26 million) 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 2020

3. Normalised group equity value (continued)

3.1 Analysis of normalised group equity value (continued)

2019 Rm (Audited)	SA covered business	Other businesses	Total
Liberty Group Limited consolidated	18 690		18 690
STANLIB South Africa		913	913
STANLIB Africa		114	114
Liberty Africa Insurance		920	920
Liberty Holdings		2 103	2 103
Operations under ownership review ⁽¹⁾		265	265
Liberty Two Degrees adjustment to net asset value ⁽²⁾	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 shares	78		78
Liberty Two Degrees adjustment ⁽²⁾	(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		3 387	3 387
Fair value adjustment – STANLIB Africa		212	212
Allowance for future shareholder expenses		(1 342)	(1 342)
Normalised equity value	34 359	6 548	40 907

⁽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 2020

3. Normalised group equity value (continued)

3.2 Normalised group equity value (loss)/earnings and value per share

Rm (Audited)	2020			2019		
	SA covered business	Other businesses	Total	SA covered business	Other businesses	Total
Normalised equity value at the end of the year	28 664	6 546	35 210	34 359	6 548	40 907
Equity value at the end of the year	29 894	6 565	36 459	35 327	6 565	41 892
Liberty Two Degrees adjustment ⁽¹⁾	(1 294)	(19)	(1 313)	(1 046)	(17)	(1 063)
BEE preference shares	64		64	78		78
Net share buy-backs		362	362		278	278
Funding of restricted share plan	5	(5)		3	(3)	
Financial guarantee ⁽²⁾	(83)	83				
Intragroup dividends ⁽³⁾	1 431	(1 431)		2 235	(2 235)	
Dividends paid		1 201	1 201		1 917	1 917
Normalised equity value at the beginning of the year	(34 359)	(6 548)	(40 907)	(33 687)	(4 997)	(38 684)
Equity value at the beginning of the year	(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)
Normalised equity value (loss)/earnings	(4 342)	208	(4 134)	2 910	1 508	4 418
Normalised return on group equity value (%)	(12,6)	3,4	(10,2)	8,6	31,9	11,5
Normalised number of shares ('000)			274 389			276 733
Number of shares in issue ('000)			263 211			266 044
Shares held for the employee restricted share scheme ('000)			4 556			4 237
Estimated shares on settlement of performance reward plan			1 463			274
Adjustment for BEE shares ('000)			5 159			6 178
Normalised group equity value per share (R)			128,32			147,82

⁽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⁾ The financial guarantee is reflective of the value of Liberty Holdings Limited's support, through a limited guarantee to the holders of certain subordinated notes issued by Liberty Group Limited.

⁽³⁾ Dividends paid by Liberty Group Limited to Liberty Holdings Limited.

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2020

3. Normalised group equity value

3.3 Sources of normalised group equity value earnings

Rm (Audited)	2020			2019		
	SA covered business	Other businesses	Total	SA covered business	Other businesses	Total
Value of new business written in the year	24		24	358	49	407
Expected return on value of in-force business	2 356		2 356	2 373		2 373
Variations/changes in operating assumptions	(1 518)		(1 518)	(265)	648	383
Operating experience variances	(861)		(861)	(206)		(206)
Operating assumption changes	(606)		(606)	(101)		(101)
Changes in modelling methodology	(51)		(51)	42		42
New operating model – expense impact ⁽¹⁾					648	648
Development costs	(25)	(9)	(34)	(47)	(16)	(63)
COVID-19 pandemic reserve ⁽²⁾	(3 289)	(15)	(3 304)			
Liberty Holdings shareholder expenses ⁽³⁾		(188)	(188)		(127)	(127)
Headline earnings of other businesses/ intragroup transfers		433	433		367	367
Operational equity value (loss)/profits	(2 452)	221	(2 231)	2 419	921	3 340
Economic adjustments	(1 786)	105	(1 681)	480	251	731
Return on net worth	(880)	105	(775)	576	251	827
Investment variances	(1 960)		(1 960)	(653)		(653)
Change in economic assumptions	1 054		1 054	557		557
Change in fair value adjustments on value of other businesses ⁽⁴⁾		(103)	(103)		324	324
Change in allowance for share rights	(104)	(15)	(119)	11	12	23
Group equity value (loss)/earnings	(4 342)	208	(4 134)	2 910	1 508	4 418

⁽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⁾ As outlined in the "Key judgements in applying assumptions on application of accounting policies" section.

⁽³⁾ This includes the actual shareholder expenses incurred by Liberty Holdings of R133 million (31 December 2019: R127 million) plus the change in the allowance for future shareholder expenses over the period. In the prior year, the net changes to the allowance for future shareholder expenses were included in 'New operating model - expense impact'.

⁽⁴⁾ The negative R103 million comprises the change in the fair value adjustment in respect of STANLIB asset management operations of negative R152 million, Rnil million for Liberty value of new business offset, remeasurement of disposal groups held for sale of positive R35 million and profit on disposal of subsidiaries of R14 million.

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2020

3 Normalised group equity value (continued)

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

Rm (unless otherwise stated) (Audited)	2020	2019
South African covered business		
SA Retail	1 499	1 765
Traditional Life	1 310	1 550
Direct Channel	71	102
Credit Life	118	113
Liberty Corporate	74	158
Gross value of new business	1 573	1 923
Overhead acquisition (including underwriting) costs impact on value of new business	(1 411)	(1 365)
Cost of required capital	(138)	(200)
Net value of South African covered business	24	358
Present value of future expected premiums	33 322	39 712
Margin (%)	0,1	0,9
Liberty Africa Insurance		
Net value of new business	-	49
Present value of future expected premiums	1 068	1 207
Margin (%)	0,0	4,1
Total group net value of new business	24	407
Total group margin (%)	0,1	1,0

LONG-TERM INSURANCE NEW BUSINESS

for the year ended 31 December 2020

Rm (Unaudited)	2020	2019
Sources of insurance operations total new business by product type		
Retail	26 324	26 715
Single	21 803	22 088
Recurring	4 521	4 627
Institutional	1 373	2 321
Single	858	1 148
Recurring	515	1 173
Total new business	27 697	29 036
Single	22 661	23 236
Recurring	5 036	5 800
Insurance indexed new business	7 302	8 125
Sources of insurance indexed new business		
SA Retail	6 520	6 558
Liberty Corporate	500	1 124
Liberty Africa Insurance ⁽¹⁾	282	443

⁽¹⁾ 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 2020

Rm (Audited)	2020	2019
Net premiums by product type		
Retail	43 300	43 700
Single	21 633	21 598
Recurring	21 667	22 102
Institutional	10 600	12 519
Single	1 867	2 188
Recurring	8 733	10 331
Net premium income from insurance contracts and inflows from investment contracts	53 900	56 219
Single	23 500	23 786
Recurring	30 400	32 433
Net claims and policyholders benefits by product type		
Retail	(43 496)	(43 239)
Death and disability claims	(9 076)	(8 175)
Policy surrender and maturity claims	(26 668)	(28 023)
Annuity payments	(7 752)	(7 041)
Institutional	(13 801)	(13 122)
Death and disability claims	(2 592)	(2 298)
Scheme terminations and member withdrawals	(10 392)	(10 022)
Annuity payments	(817)	(802)
Net claims and policyholders' benefits	(57 297)	(56 361)
Long-term insurance net customer cash flows⁽¹⁾		
Rm (Unaudited)		
Sources of insurance operations net cash flows:	(3 397)	(142)
SA Retail	(512)	197
Liberty Corporate	(3 451)	(1 030)
Liberty Africa Insurance ⁽²⁾	566	691

⁽¹⁾ This excludes net cash outflows attributed to the off-balance sheet GateWay LISP of R49 million (2019: outflows of R55 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 2020

Rbn (Unaudited)	2020	2019
Managed by group business units	749	709
STANLIB South Africa	614	568
STANLIB Africa ⁽²⁾	18	28
Remaining operations	18	18
Operations under ownership review ⁽⁴⁾		10
LibFin Markets	77	70
Other internal managers	40	43
Externally managed	27	29
Total assets under management⁽³⁾	776	738
Continuing operations	776	728
Operations under ownership review		10

⁽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 2020 amounts:

Unit trusts listed (Rbn)	STANLIB managed	Other managed	Total
STANLIB	43	91	134
Gateway	6	5	11

⁽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 2020

Rm (Unaudited)	2020	2019
STANLIB South Africa		
Non-money market	16 522	15 936
Retail	11 051	8 059
Institutional	5 471	7 877
Money market	18 375	(746)
Retail	(457)	89
Institutional	18 832	(835)
Net South Africa cash inflows	34 897	15 190
STANLIB Africa⁽²⁾		
Non-money market	(1 990)	(1 128)
Retail	514	(309)
Institutional	(2 504)	(819)
Money market	132	(1 219)
Net Africa cash outflows	(1 858)	(2 347)
Net cash inflows from asset management	33 039	12 843

⁽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 2020

Rm (Audited)	2020	2019
Net premiums	1 630	1 551
Liberty Health – medical risk	950	927
Liberty Africa Insurance – motor, property, medical and other	680	624
Net claims	(1 027)	(971)
Liberty Health – medical risk	(727)	(715)
Liberty Africa Insurance – motor, property, medical and other	(300)	(256)
Net cash inflows from short-term insurance	603	580
Unaudited		
Claims loss ratio (%)		
Liberty Health	77	77
Liberty Africa Insurance	44	41
Combined loss ratio (%)		
Liberty Health	109	115
Liberty Africa Insurance	88	91

FAIR VALUE MEASUREMENT

for the year ended 31 December 2020

Fair value hierarchy

1. Asset hierarchy

The table below analyses the fair value measurement of applicable assets by level.

2020 Rm (Audited)	Level 1	Level 2	Level 3	Total
Equity instruments	98 791	13	4 285	103 089
Listed equities on the JSE or foreign exchanges	97 391			97 391
Unlisted equities		13	3 836	3 849
Scrip assets – listed equities on the JSE	1 400			1 400
Interests in joint ventures			449	449
Debt instruments	84 320	71 412	65	155 797
Listed preference shares on the JSE or foreign exchanges	135			135
Unlisted preference shares		97	65	162
Listed term deposits on BESA, JSE or foreign exchanges	76 968	13 840		90 808
Unlisted term deposits		57 475		57 475
Repurchase agreements and collateral assets	7 217			7 217
Mutual funds⁽¹⁾	16 451	107 331	1 370	125 152
Property	6	1 005		1 011
Equity instruments	2 364	15 409	590	18 363
Interest-bearing instruments	997	27 625		28 622
Mixed asset classes	13 084	63 292	780	77 156
Investment policies		12	929	941
Derivative assets held for trading and for hedging		19 955		19 955
Equity instruments		1 086		1 086
Currency exchange instruments		236		236
Interest rate instruments		18 633		18 633
Policy loans receivable			581	581
Properties			30 823	30 823
Collateral deposits receivable		3 548		3 548
Prepayments and other receivables held at fair value through profit or loss			3 101	3 101
Cash and cash equivalents held at fair value through profit or loss		11 875		11 875
Total assets subject to fair value hierarchy analysis	199 562	214 146	41 154	454 862
Other assets not subject to fair value hierarchy analysis:				
Intangible assets				498
Defined benefit pension fund employer surplus				89
Equipment				548
Right-of-use assets				463
Interest in joint venture – equity accounted				61
Interest in associates – equity accounted				9
Deferred taxation				240
Deferred acquisition costs				784
Long-term policyholder assets – insurance contracts				5 050
Reinsurance assets				3 082
Policy loans receivable				230
Prepayments other receivables held at amortised cost				714
Insurance contract receivables				1 998
Cash and cash equivalents held at amortised cost				6 757
Disposal groups classified as held for sale				213
Total assets as per statement of financial position				475 598

⁽¹⁾ Mutual funds are categorised into property, equity or interest-bearing instruments based on a minimum of 80% of the underlying asset composition of the fund by value being of a like category. In the event of "no one category meeting this threshold" it is classified as mixed assets class.

FAIR VALUE MEASUREMENT (CONTINUED)

for the years ended 31 December 2020

1. Asset hierarchy (continued)

The table below analyses the fair value measurement of applicable assets by level.

Restated

2019

Rm (Audited)

	Level 1	Level 2	Level 3	Total
Equity instruments	109 127	28	3 956	113 111
Listed equities on the JSE or foreign exchanges	103 378			103 378
Unlisted equities		28	2 694	2 722
Scrip assets - listed equities on the JSE	5 749			5 749
Interests in joint ventures			1 262	1 262
Debt instruments	80 096	68 430	189	148 715
Listed preference shares on the JSE or foreign exchanges	3 547			3 547
Unlisted preference shares		104	189	293
Listed term deposits on BESA, JSE or foreign exchanges	70 725	17 960		88 685
Unlisted term deposits		50 366		50 366
Repurchase agreements and collateral assets	5 824			5 824
Mutual funds⁽¹⁾	11 083	102 045	1 224	114 352
Property	125	910		1 035
Equity instruments	3 542	15 371	657	19 570
Interest-bearing instruments	60	22 332		22 392
Mixed asset classes	7 356	63 432	567	71 355
Investment policies		2 342	901	3 243
Derivative assets held for trading and for hedging		7 739		7 739
Equity instruments		976		976
Currency exchange instruments		262		262
Interest rate instruments		6 501		6 501
Policy loans receivable			665	665
Properties			36 642	36 642
Collateral deposits receivable		2 264		2 264
Prepayments and other receivables held at fair value through profit or loss			2 284	2 284
Cash and cash equivalents held at fair value through profit or loss		11 173		11 173
Total assets subject to fair value hierarchy analysis	200 306	194 021	45 861	440 188
Other assets not subject to fair value hierarchy analysis:				
Intangible assets				611
Defined benefit pension fund employer surplus				117
Equipment				534
Right-of-use assets				196
Interest in joint venture - equity accounted				54
Interest in associates - equity accounted				10
Deferred taxation				317
Deferred acquisition costs				790
Long-term policyholder assets - insurance contracts				7 017
Reinsurance assets				2 409
Policy loans receivable				248
Prepayments other receivables held at amortised cost				817
Insurance contract receivables				1 578
Cash and cash equivalents held at amortised cost				6 204
Disposal groups classified as held for sale				584
Total assets as per statement of financial position				461 674

⁽¹⁾ Mutual funds are categorised into property, equity or interest-bearing instruments based on a minimum of 80% of the underlying asset composition of the fund by value being of a like category. In the event of "no one category meeting this threshold" it is classified as mixed assets class.

FAIR VALUE MEASUREMENT (CONTINUED)

for the years ended 31 December 2020

2. Liability hierarchy

The table below analyses the fair value measurement of applicable liabilities by level.

2020 Rm (Audited)	Level 1	Level 2	Level 3	Total
Policyholder long-term investment contract liabilities		106 954		106 954
Third-party financial liabilities arising on consolidation of mutual funds		59 327	2 178	61 505
Financial liabilities designated at fair value through profit or loss		7 408		7 408
Liabilities held for trading and for hedging		18 105		18 105
Repurchase agreements liabilities		7 258		7 258
Collateral deposits payable		4 254		4 254
Other payables at fair value through profit or loss			6 625	6 625
Total liabilities subject to fair value hierarchy analysis		203 306	8 803	212 109
Other liabilities not subject to fair value hierarchy analysis:				
Insurance contracts				208 904
Investment contracts with discretionary participation features				9 334
Reinsurance liabilities				206
Provisions				140
Deferred taxation				2 278
Deferred revenue				345
Short-term insurance liabilities				1 058
Financial liabilities at amortised cost				2 775
Lease liabilities				480
Employee benefits				1 341
Other payables at amortised cost				902
Insurance contract payables				7 427
Current taxation				210
Disposal group liabilities classified as held for sale				92
Total liabilities as per statement of financial position				447 601

FAIR VALUE MEASUREMENT (CONTINUED)

for the years ended 31 December 2020

2. Liability hierarchy (continued)

Restated 2019 Rm (Audited)	Level 1	Level 2	Level 3	Total
Policyholder long-term investment contract liabilities		106 918		106 918
Third-party financial liabilities arising on consolidation of mutual funds		55 218	1 540	56 758
Financial liabilities designated at fair value through profit or loss		5 673		5 673
Liabilities held for trading and for hedging		7 932		7 932
Repurchase agreements liabilities		5 929		5 929
Collateral deposits payable		6 545		6 545
Other payables at fair value through profit or loss			5 753	5 753
Total liabilities subject to fair value hierarchy analysis		188 215	7 293	195 508
Other liabilities not subject to fair value hierarchy analysis:				
Insurance contracts				207 104
Investment contracts with discretionary participation features				10 224
Reinsurance liabilities				246
Provisions				140
Deferred taxation				3 191
Deferred revenue				330
Short-term insurance liabilities				991
Financial liabilities at amortised cost				2 119
Lease liabilities				209
Employee benefits				1 376
Other payables at amortised cost				856
Insurance contract payables				6 506
Current taxation				239
Disposal group liabilities classified as held for sale				246
Total liabilities as per statement of financial position				429 285

FAIR VALUE MEASUREMENT (CONTINUED)

for the years ended 31 December 2020

3. Fair value disclosure of financial assets and liabilities that are measured at amortised cost

The fair value of financial assets and liabilities which are measured at amortised cost is categorised into the following fair value hierarchies:

2020 Rm (Audited)	Amortised cost	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost					
Policy loans receivable – net carrying value	230	214			214
Financial liabilities measured at amortised cost					
Loan facilities	2 775	2 767		2 767	
2019 Rm (Audited)					
Financial assets measured at amortised cost					
Policy loans receivable – net carrying value	248	230			230
Financial liabilities measured at amortised cost					
Loan facilities	2 119	2 084		2 084	

The fair value of prepayments and other receivables, cash and cash equivalents and other payables that are all held at amortised cost approximate their carrying value and are not included in the above hierarchy table as their settlement terms are short-term and therefore from a materiality perspective fair values are not required to be modelled.

4. Reconciliation of level 3 assets and liabilities

The table below analyses the movement of level 3 assets for the period.

Rm (Audited)	2020	Restated 2019
Balance at the beginning of the year, excluding prepayments and other receivables	43 577	42 908
Fair value adjustment recognised in profit or loss as part of investment gains ⁽¹⁾	(6 082)	(259)
Fair value adjustment recognised in other comprehensive income ⁽¹⁾	(84)	(8)
Derecognition of level 3 assets ⁽³⁾	(1 946)	
Additions ⁽⁴⁾	3 604	1 631
Disposals	(987)	(707)
Movements on third-party share of financial instruments in mutual funds	(29)	12
Balance at the end of the year – excluding prepayments and other receivables	38 053	43 577
Financial instruments – prepayments and other receivables⁽²⁾	3 101	2 284
Balance at the end of the year	41 154	45 861
Properties	30 823	36 642
Financial instruments – equity and mutual funds	5 655	5 180
Financial instruments – debt	65	189
Financial instruments – policy loans receivable	581	665
Financial instruments – prepayments and other receivables	3 101	2 284
Financial instruments – investment policies	929	901

⁽¹⁾ Included in the fair value adjustments is a R6 332 million unrealised loss (2019: R341 million unrealised loss).

⁽²⁾ No movement analysis is provided for prepayments and other receivables that are included as level 3 assets in the fair value hierarchy. These amounts are typically short term trade debtors and arise in the ordinary course of business. It is impracticable to separate the additions and disposals. As a result of the COVID-19 pandemic, a fair value loss of R639 million was recognised against property debtors in 2020. Any amount in the prior year was immaterial.

⁽³⁾ During 2020, the group no longer met the IFRS 10 criteria for consolidation of the STANLIB Infrastructure PE Fund 1 (renamed the STANLIB Infrastructure Fund 1) and de-recognised the previously recognised underlying joint ventures held in by that fund. The STANLIB Infrastructure Fund 1 is now recognised as an interest in associate as at 31 December 2020.

⁽⁴⁾ During the 2020 one of the mutual fund subsidiaries that the group consolidates (namely STANLIB Infrastructure Fund 2) made additional investments in various level 3 assets. In addition, third parties invested in Fund 2, which increased the corresponding third-party liabilities in level 3 liabilities.

FAIR VALUE MEASUREMENT (CONTINUED)

for the years ended 31 December 2020

4. Reconciliation of level 3 assets and liabilities (continued)

The liabilities categorised as level 3 relate to the mutual fund third party portion. The movement in the year is prepared below.

Rm	2020	2019
Balance at the beginning of the year	1 540	1 558
Derecognition of level 3 assets ⁽¹⁾	(1 393)	
Additions ⁽²⁾	2 059	
Unrealised fair value adjustments on consolidated mutual funds	(28)	(18)
Balance at the end of the year	2 178	1 540

⁽¹⁾ During 2020, the group no longer met the IFRS 10 criteria for consolidation of the STANLIB Infrastructure PE Fund 1 (renamed the STANLIB Infrastructure Fund 1) and de-recognised the previously recognised underlying joint ventures held by that fund.

⁽²⁾ During 2020 the STANLIB Infrastructure Fund 2 made additional investments in various level 3 assets. In addition, third parties invested in Fund 2, which increased the corresponding third-party liabilities in level 3 liabilities.

No movement analysis is provided for other payables that are included as level 3 liabilities in the fair value hierarchy. These amounts are typically short term trade creditors and arise in the ordinary course of business. It is impracticable to separate additions and disposals.

5. Sensitivity analysis of level 3 assets

5.1 Investment and owner-occupied property

Investment properties fair values were obtained from independent valuers who derived the values by determining sustainable net rental income, to which an appropriate exit capitalisation rate is applied. Exit capitalisation rates are adjusted for occupancy levels, age of the building, location and expected future benefit of recent alterations.

Fair values for owner occupied properties not backing policyholder liabilities were internally determined at 31 December 2020.

Investment and certain owner-occupied properties are largely linked to policyholder benefits and consortium non-controlling interests which limits the impact to group ordinary shareholder comprehensive income or equity for any changes in the fair value measurement. Refer to section 4.4.1 of Risk Management in the annual financial statements for detail of the property exposure in the Shareholder Investment Portfolio (SIP).

The tables below indicate the sensitivity of the aggregate market values for a 1% change in the exit capitalisation rate.

2020 Rm (Audited)	Change in exit capitalisation rate		
	Total	1% increase	1% decrease
Properties below 7,3% capitalisation rate	16 039	14 546	18 056
Properties between 7,3% – 8,5% capitalisation rate	11 856	10 958	13 019
Properties between 8,6% – 10% capitalisation rate	2 928	2 739	3 162
Total	30 823	28 243	34 237
Restated 2019 Rm (Audited)			
Properties below 6,8% capitalisation rate	16 499	14 895	18 579
Properties between 6,8% – 8,5% capitalisation rate	16 559	15 067	18 271
Properties between 8,5% – 10,0% capitalisation rate	3 584	3 325	3 908
Total	36 642	33 287	40 758

The table below indicates the sensitivity of the aggregate market values for a 1% change in the discount rate.

2020 Rm (Audited)	Change in discount rate		
	Total	1% increase	1% decrease
Total properties	30 823	29 527	32 227
Restated 2019 Rm (Audited)			
Total properties	36 642	35 164	37 901

FAIR VALUE MEASUREMENT (CONTINUED)

for the years ended 31 December 2020

5. Sensitivity analysis of level 3 assets (continued)

5.2 Unobservable inputs included in valuations for investment properties

2020 (Audited)	Rm	Exit cap rate	Discount rate	Vacancy rate	Rental growth	Expense growth
Office buildings (%)	727	8,25 - 9,75	13,25 - 14,0	0,5 - 1,0	0,0 - 4,75	5,0 - 6,0
Retail - super regional and regional (%)	24 628	6,5 - 7,75	10,5 - 11,0	0,5 - 2,0	(1,0) - 4,0	5,0 - 6,0
Retail - other (%)	2 211	7,75 - 8,25	11,75 - 13,25	1,0 - 1,5	(1,0) - 5,0	5,0 - 6,0
Hotel (%)	1 092	9,0	13,75 - 14,0			
Specialised (%)	940	8,25 - 10,0	13,5 - 14,75	0,0 - 1,0	(1,0) - 4,75	5,0 - 6,0
Restated 2019 (Audited)						
Office buildings (%)	790	8,3 - 9,5	12,5 - 13,8	0,0 - 2,5	4,0 - 5,0	6,5 - 7,0
Retail - super regional and regional (%)	29 077	6,5 - 7,0	12,0 - 12,25	0,5 - 2,5	4,0 - 5,5	6,5
Retail - other (%)	2 456	7,25 - 8,25	12,5 - 12,75	1,0 - 1,5	5,0 - 5,5	6,5
Hotel (%)	1 430	8,8	14,0			
Specialised (%)	1 277	8,25 - 10,0	13,0 - 15,25	0,0 - 1,0	(1,0) - 4,75	5,5 - 7,0

Inter-relationship between key unobservable inputs and fair value measurements:

The most significant impact on value is an adjustment on metrics whereby the estimated fair value would increase/decrease if:

- exit capitalisation rate was lower/(higher) and
- discount rate was lower/(higher);

Other inputs that impact the value positively (negatively) but are less significant are:

- vacancy and rent-free periods were shorter/(longer);
- expected market rental growth was higher/(lower); and
- expected expense growth was lower/(higher).

5.3 Financial instrument assets

	Audited 2020		Audited 2019	
	Rm	Discount rate %	Rm	Discount rate %
Equities and mutual funds				
Unlisted equities	3 836	14-17	2 694	10-14
Interests in joint venture	449	19	1 262	14
Mutual funds	1 370	11-17	1 224	10-19
Investment policies	929	12	901	11
Debt				
Unlisted preference shares	65	15	189	12
Policy loans receivable	581	9	665	12

FAIR VALUE MEASUREMENT (CONTINUED)

for the years ended 31 December 2020

5. Sensitivity analysis of level 3 assets (continued)

Analysis of the significant components of level 3 financial instrument assets

Included in the financial instruments in the table above are the following significant exposures to underlying assets and associated operations (the valuation of these investments makes use of the various methodologies illustrated in section 6):

Unlisted equities, interests in joint ventures and mutual funds:

South African renewable energy projects (solar and wind), R2 963 million (Liberty Holdings ordinary shareholder net exposure 13%).

Key valuation inputs: GDP growth, Eskom electricity tariff outlook, risk discount rates.

Infrastructure projects throughout Africa, R705 million (Liberty Holdings ordinary shareholder net exposure 41%).

Key valuation inputs: GDP growth, estimated project timing, contractual revenue details, risk discount rates.

South African toll road concessions, R613 million (Liberty Holdings ordinary shareholder net exposure 13%).

Key valuation inputs: GDP growth, consumer price inflation, risk discount rates.

South African grain silos R450 million (Liberty Holdings ordinary shareholder net exposure 13%).

Key valuation inputs: GDP growth, grain yields, maintenance commitments, risk discount rates.

Investment policies:

R929 million (Liberty Holdings ordinary shareholder net exposure 20%).

The investment policies are exclusively issued life policy assets issued in the United States of America (USA) on domestic USA insured lives. Remaining policies are in total, less than 60 insured lives. Each policy is different, and valued uniquely, as it is issued against an individual insured life which has its own unique health status. The unobservable inputs for the life policy assets are various factors influencing the life expectancy of the individual lives. The valuation of the life policy assets at 31 December 2020, was positively impacted by allowance for a level of increased expected mortality on these lives arising from the pandemic experience, which remains highly uncertain, in the USA.

The table below shows the net shareholder exposure to level 3 financial instrument assets and the profitability impact of changes in discount rates.

	Audited 2020			Audited 2019		
	Net shareholder exposure Rm	Change in discount rate		Net shareholder exposure Rm	Change in discount rate	
		1% increase Rm	1% decrease Rm		1% increase Rm	1% decrease Rm
After tax net impact to profit or loss and shareholder equity	1 455	(123)	136	1 344	(82)	95

FAIR VALUE MEASUREMENT (CONTINUED)

for the years ended 31 December 2020

6. Group's valuation process

The group's appointed asset managers have qualified valuers that perform the valuations of financial assets and appointed independent valuers to determine fair values of properties required for financial reporting purposes, including level 3 fair values. These valuations are reviewed and approved every reporting period by the group balance sheet committee. The committee is chaired by the group's financial director.

The fair value of level 3 instruments are determined using valuation techniques that incorporate certain assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include the assumed risk adjusted discount rate applied to estimated future cash flows and the liquidity and credit spreads applied to debt instruments. Changes in these assumptions could affect the reported fair value of the financial instruments.

6.1 Valuation techniques used in determining the fair value of assets and liabilities classified within level 2

INSTRUMENT	VALUATION BASIS/TECHNIQUES	MAIN ASSUMPTIONS
Unlisted preference shares	Discounted cash flow model (DCF)	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
Unlisted term deposits, illiquid listed term deposits and senior secured term facility	DCF	Bond and interbank swap interest rate curves Issuer credit ratings Liquidity spreads
Mutual funds	Quoted put (exit) price provided by the fund manager	Price - not applicable Notice period - bond interest rate curves
Investment policies	Quoted put/surrender price provided by the issuer, adjusting for any applicable notice periods (DCF)	Price - not applicable Bond interest rate curves
Derivative assets and liabilities	Option pricing models DCF	Volatility and correlation factors Bond and interbank swap interest rate curves Forward equity and currency rates
Policyholder investment contracts liabilities - unit-linked policies - fixed term annuities	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held DCF	Not applicable Bond and interbank swap interest rate curves Own credit/liquidity
Subordinated notes	DCF and listed bond prices	3-month JIBAR (floating rate notes) Bond Spread (Own credit/liquidity) Yield curves, with implied credit spreads Different cash flows of various bonds, with fixed and floating rates
Commercial paper	DCF	Discount curve Credit spread
Cash equivalents - short term deposits	Market to market Yield curves	Bonds and interbank swap interest curve
Cash on hand	Face value	Not applicable
Third-party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable

FAIR VALUE MEASUREMENT (CONTINUED)

for the years ended 31 December 2020

6. Group's valuation process (continued)

6.2 Valuation techniques used in determining the fair value of assets and liabilities classified within level 3

INSTRUMENT	VALUATION BASIS/TECHNIQUES	MAIN ASSUMPTIONS
Investment and owner-occupied properties	DCF	Exit capitalisation and discount rates (the more significant assumptions)
	Profits method valuation (Sandton Convention Centre)	Price per square meter Long-term net operating income margin Vacancies Market rental trends Economic outlook Location Hotel income trends/inflation based Rental and expense growth
	Sale price (if held for sale)	Not applicable
Unlisted equities and debt, including associates and joint ventures - measured at fair value	DCF/earnings multiple	Cost of capital Bond and interbank swap interest rate curves Consumer price index Gross domestic product If a property investment entity, then assumptions applied are as above under investment and owner-occupied property
	Net asset value Recent arm's length transactions	Not applicable Not applicable
Unlisted preference shares	DCF	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
Unlisted term deposits and illiquid listed term deposits	DCF	Bond and interbank swap interest rate curves Issuer credit ratings Liquidity spreads
Mutual funds	Quoted put (exit) price provided by the fund manager, adjusted for liquidity	Price - not applicable Notice periods and estimated repayment - bond interest rate curves Liquidity spreads
Investment policies	Probabilistic valuation methodology DCF	Face value Premium burden Life expectancy Bond and interbank swap interest rate curves
Policy loans receivable	DCF	Prime interest rate Term
Prepayments and other receivables (including property debtors)	DCF Age analysis	Applicable risk-free rate Applicable credit margin Expected cash flows Covid-19 related assumptions on sustainability of tenants and expectations of recovery
Other payables	DCF Age analysis	Applicable credit margin including Liberty's own credit risk
Third-party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable

ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS UNDER IFRS 9

as at 31 December 2020

The table below reflects the classification of the group's financial assets and financial liabilities as at 31 December 2020 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.

2020 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					
Financial assets								
Interests in joint ventures			449		449		61	510
Interests in associates			20 953		20 953		9	20 962
Financial investments		2 153	317 809	34 998	354 960			354 960
Loan receivables			581		581	230		811
Assets held for hedging and for trading	23 503				23 503			23 503
Repurchase agreements, scrip and collateral assets			8 617		8 617			8 617
Prepayments, insurance and other receivables			3 101		3 101	714	1 998	5 813
Cash and cash equivalents			11 875		11 875	6 757		18 632
Total	23 503	2 153	363 385	34 998	424 039	7 701	2 068	433 808
Financial liabilities								
Financial liabilities under investment contracts		106 954			106 954			106 954
Third-party financial liabilities arising on consolidation of mutual funds		61 505			61 505			61 505
Financial liabilities		7 408			7 408	2 775		10 183
Liabilities held for trading and for hedging	18 105				18 105			18 105
Repurchase agreements liabilities and collateral deposits payable		11 512			11 512			11 512
Insurance and other payables		6 625			6 625	902	7 427	14 954
Total	18 105	194 004			212 109	3 677	7 427	223 213

ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS UNDER IFRS 9 (CONTINUED)

as at 31 December 2020

Restated Rm (Audited)	Fair value through profit or loss			Fair value through other compre- hensive income	Total fair value	Amortised cost	Other measurement basis	Total per statement of financial position
	Held for trading and hedging	Desig- nated	Default					
2019								
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
Policy loans receivable			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 financial assets	10 003	2 223	372 178	19 142	403 546	7 269	1 642	412 457
Financial liabilities								
Financial liabilities under investment contracts		106 918			106 918			106 918
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 financial liabilities	7 932	187 576			195 508	2 975	6 506	204 989

OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

as at 31 December 2020

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
2020					
Assets					
Assets held for trading and for hedging	23 503	(241)	23 262	(17 849)	5 413
Total assets	23 503	(241)	23 262	(17 849)	5 413
Liabilities					
Liabilities held for trading and for hedging	18 105	(237)	17 868	(17 849)	19
Repurchase agreements liabilities	7 258		7 258	(7 203)	55
Collateral deposits payable	4 254		4 254	(4 254)	
Total liabilities	29 617	(237)	29 380	(29 306)	74
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

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

CAPITAL COMMITMENTS

as at 31 December 2020

Rm (Audited)	2020	2019
Equipment and computer software	370	364
Investment and owner-occupied properties	1 322	1 240
Committed capital ⁽¹⁾	884	1 040
Total capital commitments	2 576	2 644
Under contracts	594	689
Authorised by the directors but not contracted	1 982	1 955

⁽¹⁾ Liberty has committed capital to certain infrastructure and development funds. The committed funds are drawn down when required.

The above 2020 capital commitments in respect of properties will be financed by available bank facilities, existing cash resources, internally generated funds, R92 million (2019: R103 million) from non-controlling interests in unincorporated property partnerships and R139 million (2019: R197 million) from non controlling interest in Liberty Two Degrees.

In 2020 Liberty Group Limited entered into an agreement with an independent counterparty which will expire in 2028. In terms of the agreement, the counterparty will receive fees on a commercial basis from Liberty for defined asset management services. These fees over the contract period are subject to a minimum floor amount of R57.5 million per annum.

Throughout the group there are various low value item leases for computer equipment. The obligations outstanding at 31 December are not material.

RETIREMENT BENEFIT OBLIGATIONS

as at 31 December 2020

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 2020, the Liberty post-retirement medical aid benefit liability was R440 million (2019: R459 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 2020

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 2020 financial period:

1. Summary of related party transactions with Standard Bank

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

	Fair value Rm	Ownership %
Standard Bank Group Limited		
Balance at 31 December 2019	3 154	1,18
Balance at 31 December 2020	1 834	0,91

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 2020 amounted to R6 159 million (2019: R7 908 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 accrued as payable to the Standard Bank group for the year to 31 December 2020 is R1 433 million (2019: R1 485 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 2020 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.

DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

as at 31 December 2020

Audited

For the year ended 31 December 2018, Liberty Holdings Limited identified a number of entities that met the criteria as held for sale under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* as a result of the strategy refresh exercise conducted during that year. The cash-generating units impacted were asset management operations in Ghana, Uganda, Kenya and Botswana, Health risk solutions, the short-term insurance technology start-up and short-term insurance in Namibia, Botswana and Malawi.

A number of operations were disposed of in 2019, namely the asset management businesses in Ghana and Botswana, short-term insurance technology start-up in South Africa and short-term insurance interest in Namibia. During 2020 sales were completed of the asset management operations in Kenya and Uganda, Liberty General Insurance Malawi and Liberty Health Administration (Pty) Ltd ("LHA" – a licensed medical aid administrator in South Africa). LHA is part of the Health risk solutions business referred to above.

Two business operations, namely the short term insurance operations in Botswana and Total Health Trust Limited in Nigeria (part of Health risk solutions) remain classified as disposal groups, as both are subject to sale processes at 31 December 2020. The balance of Health risk solutions, being mainly the provision of health expense insurance throughout sub-Saharan Africa, was reclassified back to continuing operations at 30 June 2020. This was due to no acceptable purchase offers being forthcoming.

Based on the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities in these disposal groups were classified as held for sale. The assets and liabilities were disclosed as a separate single line item in the statement of financial position, rather than within the specific class of asset and liabilities, as required by IFRS 5. The disposal groups are measured at the lower of carrying amount and fair value less costs to sell, which led to various remeasurements, as set out below:

Rm	2020			2019		
	Gross	Fair value adjustment	Net	Gross	Fair value adjustment	Net
Total assets classified as held for sale	213		213	891	(307)	584
Total liabilities classified as held for sale	92		92	246		246
Net assets of disposal groups held for sale	121		121	645	(307)	338

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 STANLIB East Africa operations (Kenya & Uganda)

A transfer of business operations agreement was entered into with ICEA Lion Asset Managers (ILAM) in 2019. By 30 June 2020, effectively the entire business operations contained in STANLIB Kenya Ltd (SKL) and STANLIB Uganda Ltd (SUL), encompassing Segregated Mandates, REIT management, Unit Trust management and Umbrella Fund administration have either been transferred to ILAM or a new asset manager designated by the client. The sale was concluded at the carrying value reflected at 31 December 2019 and therefore no profit or loss on sale was realised during 2020.

Disposal of Liberty General Insurance Ltd (Malawi) (LGIC)

Effective 30 June 2020, Liberty concluded the sale of its entire shareholding in its Malawi short-term business LGIC to existing shareholders for a nominal amount. The sale was concluded at the carrying (fair value less costs of sale) estimated at 31 December 2019.

Disposal of Liberty Health Administration (Pty) Ltd

Effective 1 October 2020, Liberty concluded the sale of its entire shareholding of LHA for a purchase consideration of R32 million. The realised profit on sale was R14 million. The proceeds are subject to a proportional claw back over four years if LHA lose the Libcare administration contract, for any reason other than non-performance or abandonment.

RESTATEMENT OF PRIOR YEAR COMPARATIVES

as at 31 December 2020

Change in policyholder contract classification

During 2020, the comprehensive review of the terms and conditions of all the group's policyholder contracts was finalised. This was done as part of the preparation work for adopting a new IFRS standard, namely IFRS 17 *Insurance Contracts* which is effective from 1 January 2023. The review highlighted that one legacy portfolio of linked life annuities (which has not been sold since 2002), contained a certain element of insurance risk within the contracts due to the guarantees on death and survival. The portfolio had, since the group's adoption of IFRS in 2005, been incorrectly classified as an investment contract within the scope of IFRS 9 *Financial Instruments* (previously IAS 39 *Financial Instruments*) and a portion as investment contracts with DPF (under IFRS 4 *Insurance Contracts*). Application of the existing applicable IFRS 4 standard requires these contracts to be reclassified as insurance contracts. The change in valuation is immaterial and therefore the reclassification has not resulted in changes to the portfolio's liability measurement and the group's net asset value or prior reported earnings.

This is a closed book of business, with no premiums receivable and only claims (annuity payments) reflecting in the statement of comprehensive income.

The table below summarises the effect of the reclassification and required restatements to the group's financial position and comprehensive income statement.

Rm	31 December 2019		
	As previously reported	Impact of change in presentation classification	Restated
Statement of financial position line item			
Liabilities			
Long-term policyholder liabilities	324 246		324 246
Insurance contracts	206 103	1 001	207 104
Investment contracts with discretionary participation features	10 252	(28)	10 224
Financial liabilities under investment contracts	107 891	(973)	106 918

Rm	31 December 2019		
	As previously reported	Impact of change in presentation classification	Restated
Statement of comprehensive income line item			
Revenue from contracts with customers	4 076	(14)	4 062
Claims and policyholder benefits under insurance contracts	(41 730)	(171)	(41 901)
Change in long-term policyholder assets and liabilities	(4 590)	103	(4 487)
Liabilities under insurance contracts	(5 400)	106	(5 294)
Policyholder assets related to insurance contracts	309		309
Investment contracts with discretionary participation features	171	(3)	168
Applicable to reinsurers	330		330
Fair value adjustment to policyholder liabilities under investment contracts	(9 146)	82	(9 064)

As at 1 January 2019, long-term policyholder liabilities increased by R1 107 million as a result of this classification change, with a decrease in policyholder investment contracts of R1 076 million and a decrease in policyholder investment contracts with DPF of R31 million.

RESTATEMENT OF PRIOR YEAR COMPARATIVES (CONTINUED)

as at 31 December 2020

Adjustment of the prior year presentation of the attributable investment return between long-term policyholder liabilities and policyholder assets

An adjustment has been applied to accurately reflect the attribution of the results of investing activities that are intended to specifically match or hedge certain of the policyholder contract market exposures (in particular, interest rate exposure) for the year ended 31 December 2019, resulting in a change in the applicable investment return allocation between the policyholder assets and policyholder liabilities categories. There are no implications for the group's net asset value, statement of cash flows, financial position or statement of comprehensive income for the current or prior years. It is only an amendment to detailed disclosures that impact the note to policyholder liabilities and related product information in the segment report.

Extract of the 2019 long-term policyholder and reinsurance assets and liabilities note for applicable changes:

Rm	As previously reported		Change in classification		Change in attribution		Restated	
	Policyholder liabilities	Policyholder assets	Policyholder liabilities	Policyholder liabilities	Policyholder assets	Policyholder liabilities	Policyholder assets	
Balance at the beginning of the year	200 744	(6 708)	1 107			201 851	(6 708)	
Inflows	49 907	8 771	84	681	(681)	50 672	8 090	
Premiums	29 518	8 771				29 518	8 771	
Investment returns	20 370		84	681	(681)	21 135	(681)	
Unwinding of discount rate	2 739	(632)				2 739	(632)	
Investments	17 631	632	84	681	(681)	18 396	(49)	
Fee revenue	19					19		
Outflows	(43 354)	(8 590)	(185)	(191)	191	(43 730)	(8 399)	
Claims and policyholder benefits under insurance contracts	(32 778)	(4 969)	(176)			(32 954)	(4 969)	
Acquisition costs associated with insurance contracts	(1 723)	(1 315)				(1 723)	(1 315)	
General marketing and administration expenses	(4 376)	(1 846)	(7)			(4 383)	(1 846)	
Profit share allocations	(1 313)	(104)				(1 313)	(104)	
Finance costs and fair value adjustments on financial liabilities	(860)	(411)	1			(859)	(411)	
Taxation	(2 304)	55	(3)	(191)	191	(2 498)	246	
Net income from insurance operations	(1 169)	(490)	(5)	(490)	490	(1 664)		
Assumptions and modelling changes	(99)	52				(99)	52	
Discretionary and compulsory margins and other variances	(2 421)	(891)	(8)	(681)	681	(3 110)	(210)	
New business	296	117				296	117	
Shareholder taxation on transfer of net income	1 055	232	3	191	(191)	1 249	41	
Foreign currency translation	(25)					(25)		
Balance at the end of the year	206 103	(7 017)	1 001			207 104	(7 017)	

RESTATEMENT OF PRIOR YEAR COMPARATIVES (CONTINUED)

as at 31 December 2020

Change in presentation policy of hotel fixtures related to hotel investment properties

Following the conclusion of lease agreements with external parties in late 2019 in respect of the group's interest in hotel operations that are conducted in certain of the group's investment properties, the presentation of hotel equipment was reviewed. Previously the group had directly operated the hotels with associated outsourced management agreements. As a result of the new lease arrangements, the group no longer directly operates hotels and effectively now leases out certain hotels (including the hotel fixtures) which the lessee utilises to conduct hotel operations. The hotel fixtures of R348 million, previously reflected as equipment have been retrospectively reclassified to investment properties on 31 December 2019, aligning with the finalisation of the lease agreements. This is consistent with the treatment of appurtenances related to other investment properties.

Rm	31 December 2019		
	As previously reported	Impact of change in presentation classification	Restated
Statement of financial position line item			
Properties	36 294	348	36 642
Equipment and right-of-use assets	1 078	(348)	730
Equipment	882	(348)	534
Right-of-use assets	196		196

For noting, on the basis that the right-of-use asset was not material in 2019, equipment and right-of-use assets were combined into one line on the statement of financial position for the year ended 31 December 2019. Due to a change in the quantum of the right-of-use assets in 2020, the presentation has changed to disclose each of these lines separately.



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