LIBERTY

Liberty Life Assurance Uganda Limited

2018 Annual Report and Financial Statements

Human Capital – a key for organizational success

ADVICE INSURE INVEST HEALTH

LIBERTY LIFE ASSURANCE UGANDA LIMITED

ADVICE INSURE INVEST HEALTH

This is a Liberty Life Assurance Uganda Limited report incorporating financial and non-financial information for the year ended 31 December 2018.

The theme for this year's annual report is
Human Capital – a key for organizational success

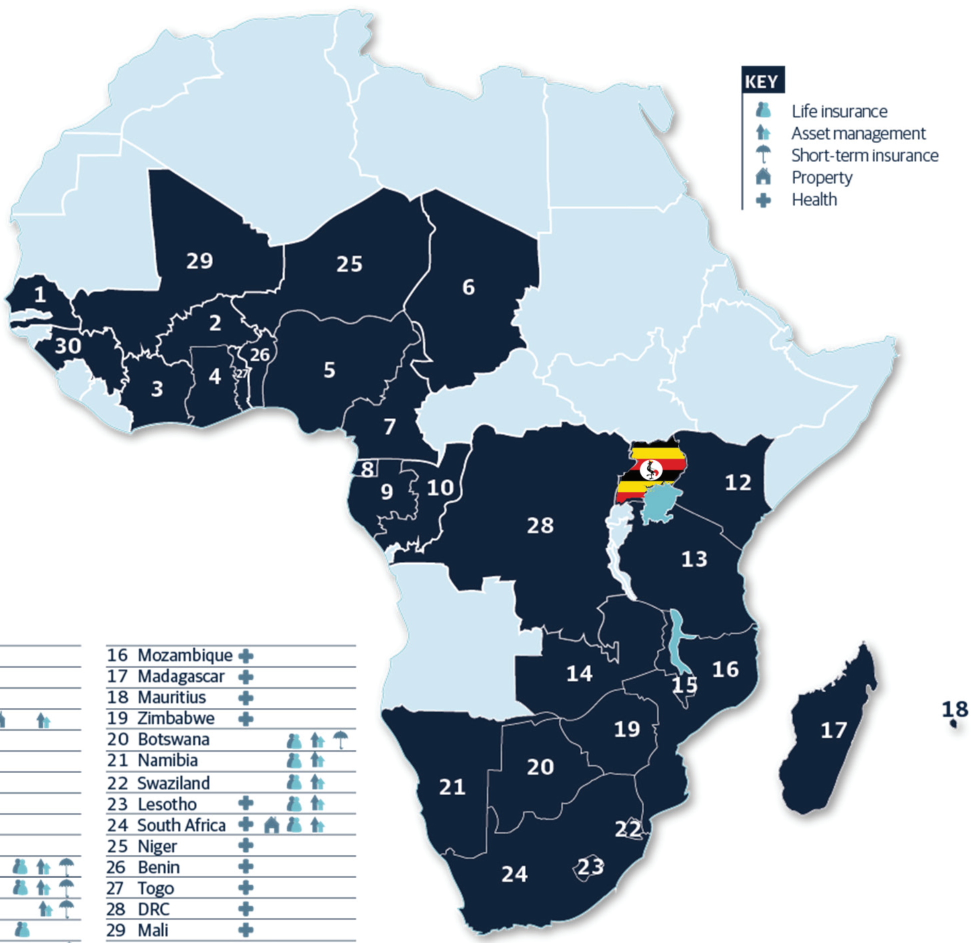
Liberty Life Assurance Uganda Limited, Reg.No IN/026/2019 is regulated by the Insurance Regulatory Authority of Uganda.

Table of contents

Our Locations In Africa

Liberty Health presence in **27 countries**

Liberty Life Presence in **9 Countries** Including 5 Short term licenses



KEY
- Life insurance
- Asset management
- Short-term insurance
- Property
- Health

1	Senegal	Health				
2	Burkina Faso	Health				
3	Ivory Coast	Health				
4	Ghana	Health	Property		Asset management	
5	Nigeria	Health				
6	Chad	Health				
7	Cameroon	Health				
8	Equatorial Guinea	Health				
9	Gabon	Health				
10	Congo	Health				
11	Uganda	Health		Life insurance	Asset management	Short-term insurance
12	Kenya	Health		Life insurance	Asset management	Short-term insurance
13	Tanzania	Health			Asset management	Short-term insurance
14	Zambia	Health		Life insurance		
15	Malawi	Health				Short-term insurance
16	Mozambique	Health				
17	Madagascar	Health				
18	Mauritius	Health				
19	Zimbabwe	Health				
20	Botswana			Life insurance	Asset management	Short-term insurance
21	Namibia			Life insurance	Asset management	
22	Swaziland			Life insurance	Asset management	
23	Lesotho	Health		Life insurance	Asset management	
24	South Africa	Health	Property	Life insurance	Asset management	
25	Niger	Health				
26	Benin	Health				
27	Togo	Health				
28	DRC	Health				
29	Mali	Health				
30	Guinea Conakry	Health				

General Information

Country of incorporation and domicile
Uganda

Nature of business and principal activities
Long term insurance and medical

Directors as at 31 December 2018
Gerald Ssendaula (Chairman)
Mayur M. Madhvani (Director)
Anthony Katamba (Director)
Kevin Wingfield (Director)
Mike du Toit (Director)
Madhvani Group Ltd (Director)
Liberty Holdings Ltd (Director)
East African Holdings Ltd (Director)

Registered office and business address
2nd floor, Madhvani Building
Plot 99-101 Buganda Road
P.O Box 22938 Kampala Uganda
t +256 414 233 794/ +256 312 304 000
f +256 414 254 708 (0312) 233 794/ 803
e adminuganda@liberty.co.ug
w www.liberty.co.ug

Holding Company
Liberty Holdings Limited
Incorporated in South Africa

Bankers
Stanbic Bank Uganda Limited
P.O. Box 7113
Kampala

Auditor
PricewaterhouseCoopers
Certified Public Accountants
P.O. Box 882 Kampala

Secretary
Koduvayur Parasuraman Eswar
Corporate Office, Madhvani Group
Plot 96/98, 5th Street
Industrial Area, Kampala

Acronyms

BCP	Business Continuity Plan
BDMs	Business Development Managers
DSAs	Direct Sales Agents
IFRS	International Financial Reporting Standards
LHL	Liberty Holdings Limited
BoU	Bank of Uganda
CBR	Central Bank Rate
CSR	Corporate Social Responsibility
ERM	Enterprise Risk Management
GAAC	Group Audit and Actuarial Committee
GDP	Gross Domestic Product
GWP	Gross Written Premium
IBNR	Incurred But Not Reported
IIU	Insurance Institute of Uganda
IRA	Insurance Regulatory Authority
KYC	Know Your Client
LLAU	Liberty Life Assurance Uganda Limited
MBA	Masters of Business Administration
NSSF	National Social Security Fund
NWP	Net Written Premium
OCI	Other Comprehensive Income
P&L	Profit and Loss
PAT	Profit After Tax
SMEs	Small Medium Enterprises
UIA	Uganda Insurers Association
UPR	Unearned Premium Reserve
URA	Uganda Revenue Authority

OUR VALUES

1. Customer service;
We provide service level agreements where we document our promise in terms of service, timelines for delivery.

2. Claims settlement;
We promise claims settlement with in a week of receipt of all respective documentation.

3. Team;
We have a qualified team ready to serve our clients at any one time.

4. Premium payment options;
We provide flexible premium payment options like mobile money, points of sale and debit orders and monthly instalments.

5. Innovation;
We constantly work at keeping in line with the changes in market demands and needs in terms product offerings and service.

6. Professionalism;
We guarantee a professional engagement with our mutual clients and yourselves. We also guarantee non participation in price wars so as to provide sustainable insurance solutions to our clients.

7. One stop shop;
We have recently acquired a short term insurance (Liberty General) and are also able to provide you with short term insurance benefits as well.

Our Purpose

Improving people's lives by making their financial freedom possible.

Our Vision

To be the market leading and trusted life insurance company in Uganda

For every moment of your journey.

Some days pass by like whispers, and are soon forgotten.
Others leave scars, worn like badges of honour.
Some days herald a new chapter in a life story.
Others, simply the start of a new sentence.

When you partner with us, we make a promise:
To be the catalysts of your peace of mind, from that day on.
For the days you wish would never end.
And the ones you'd rather forget, but never will.
For the days that catch you by surprise.
And the ones you've been planning all your life
For every moment, for every day.

Sometimes that means we need to be your adviser.
Other times, all we can do is listen.
Sometimes we need to be pioneers.
Other times, we follow your lead.
When times call for a tough mind, we always answer with a tender heart and humanity.

Your trust is more valuable to us than anything else.
That's why we go out of our way to truly understand you:

- To imagine what your future challenges will look like
- To make things simpler for you
- To keep our promise

For every moment of your journey.

Corporate Strategy

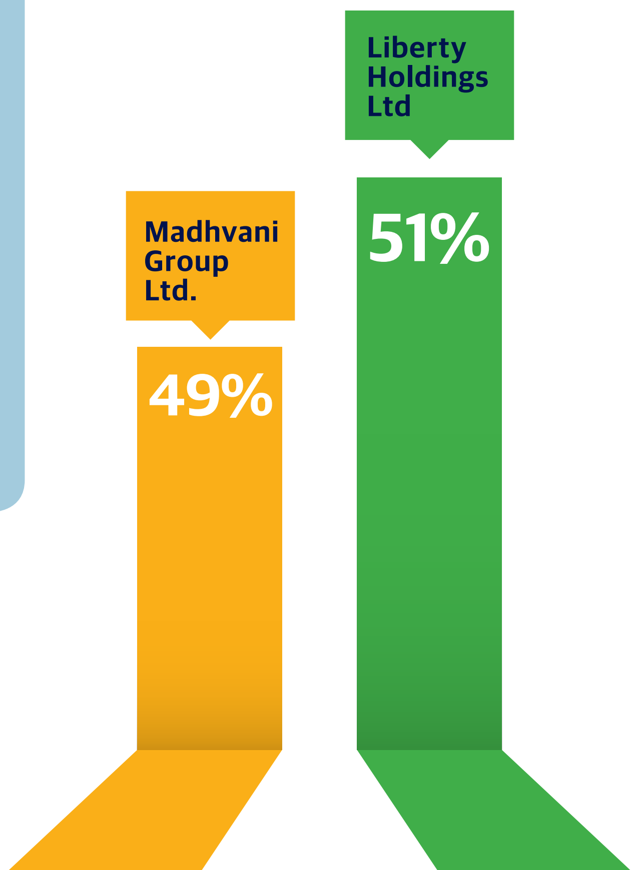
Liberty Life Assurance Uganda Limited (LLAU) was established in 2006 and is a specialist life insurance company.

We provide group and individual/ personal risk insurance solutions for life changing events. Our vision is to become the trusted leader in insurance and investments in our chosen markets by putting the customers' needs first, creating products that have market relevance and forming strong partnerships in our markets.

LLAU is a subsidiary of Liberty Holdings Limited (LHL), one of the biggest Johannesburg Stock Exchange listed long term insurer that was founded in 1957 by Sir Donald Gordon with the belief that everyone should have the opportunity to grow their wealth and leave a proud legacy for their family. LHL is an integral part of Standard Bank group, the biggest bank in Africa with 54% majority shareholding.

The minority shareholder of LLAU is Madhvani Group Limited, which is one of Uganda's largest and most esteemed private enterprise groups with significant interests in almost all sectors of the economy.

The shareholding structure is as below;



Strategy 2020

Our top level strategic goal remains unaltered:

To be the market leader in the industry; being the Life Insurer of choice for Stanbic Bank, Multinationals, Corporates and Other Affinity Partners operating in Uganda.

Our strategic thrusts over the next 5 years:

FINANCIAL LITERACY – provide our customers with the skills and knowledge to enable them make informed and effective decisions with all their financial resources.

FOCUS ON BANCASSURANCE – new space to grow following operationalisation of the bancassurance regulations.

EMPLOYER DOMINANCE – provide all Liberty group' product offerings to our partners thus ensuring more productivity, profitability and retention

CHANNEL PRODUCTIVITY i.e. in terms of profitability, capacity and manpower

CUSTOMER SEGMENTS; Affinities, worksites, retail, SMES, Corporates and Banks

AGRICULTURE SECTOR – partner with other insurance partners to grow the economy

DIGITIZATION – leverage from technology

CUSTOMER CENTRICITY – provide valuable products and excellent customer service

History and Milestones

1957

Liberty was Founded by sir Donald Gordon

1973

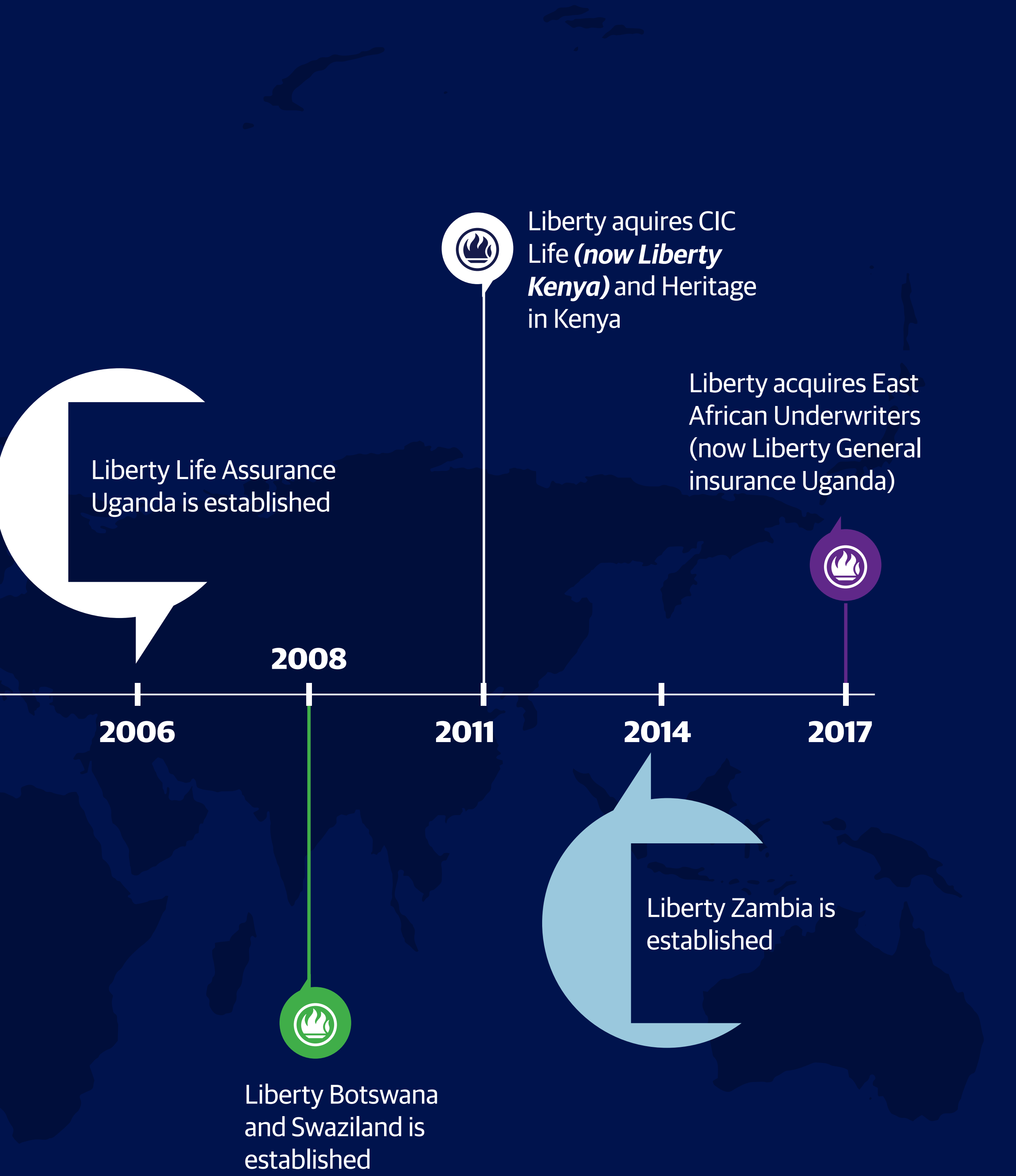
Founded Sandton city, the richest square mile in Africa

2002

STANLIB is established as a joint venture with Standard bank *(By 2007 liberty secured 100% ownership ofof STANLIB)*

2003

Liberty Namibia is established. Liberty's first operation outside South Africa



2006
Liberty Life Assurance Uganda is established
2008
Liberty Botswana and Swaziland is established
2011
Liberty aquires CIC Life ***(now Liberty Kenya)*** and Heritage in Kenya
2014
Liberty Zambia is established
2017
Liberty acquires East African Underwriters (now Liberty General insurance Uganda)

We have an **excellent reputation** for creating tailor made risk solutions for our clients.

Our Products

Liberty Health Cover

IN PATIENT

- Hospital treatment and related services
- Emergency ambulence services
- Specialised radiology
- Maternity childbirth
- Neonatal care
- External medical appliances
- Intensive care
- High care
- Prostheses
- Psychiatric Hospitalisation

OUT PATIENT

- Acute conditions
- Maternity
- Dentistry and Optometry
- Chronic Benefits

Liberty LIFE Cover

GROUP LIFE INSURANCE SOLUTIONS

- Group Life Assurance
- Permanent & total disability
- Temporary & total disability
- Permanent Health insurance
- Critical illness
- Group funeral
- Family support
- Tomb stone

INDIVIDUAL INSURANCE SOLUTIONS

- Funeral plan
- Accidental disability cover
- Simple life plan
- Critical illness
- Education Protector
- Hospital Cash
- Business owners life insurance
- Soma Plan
- Solace Farewell plan

Health Cover

Differentiators

Working together to make Africa healthier

AFRICA FOCUS

27 COUNTRIES

1 STANDARDISED PRODUCT

LOCAL RELEVANCE

- OFFICES
- CURRENCY
- COMPLIANCE
- TAILORED SOLUTIONS

TECHNOLOGY

1 IT SYSTEM

- ROBUST DATA
- DIGITISATION
- FUTURE PROOF

Provider Network

7000 PROVIDERS

- SERVICES ON CREDIT
- 96% OF CLAIMS SETTLED DIRECTLY WITHIN OUR NETWORK
- E - CLAIMING

EXPERTISE

- CLINICAL
- FINANCIAL
- DIGITAL
- PEOPLE
- ACTUARIAL

VALUE

1 EMPLOYEE VALUE PROPOSITION

- MULTICOUNTRY RISK POOLING
- REPLICABLE MODEL
- WORLD CLASS SOLUTIONS

In-Patient Health Cover

In-patient/Major Medical Benefits

Hospital Benefits: Pre-authorisation is required for the following benefits and procedures

Hospital treatment and related services

- Hospital accomodation in general ward
- In-hospital fees for doctors, specialistsm surgeons, anaesthesists, physiotherapists, or other relevant specialist consultations. Operating theatre charges.
- Apparatus, material, and ward and theatre medicines used in hospital
- Accomodation charges for one parent sharing the hospital room of an insured child 12 years younger who is treated as an in-patient. The treating doctor must advise in writing that a parent should remain with the insured child.

Maternity childbirth

In-hospital maternity benefits, including:

- Confinement
- Childbirth (natural delivery)
- Midwives
- Non-elective caesarean section

Intensive care

A high level of treatment, nursing vigilance and monitoring than is available in a high care unit.

High care

A higher level of treatment, nursing vigilance and monitoring than is available in general ward

Emergency ambulance service

In the case of a medical emergency, we will pay for an in-country ambulance to transport the insured person from the scene of the medical emergency to the nearest, appropriate in-country medical facility for treatment.

Neonatal care

Neonatal care required for a newborn baby including:

- Neonatal ward (incubator)
- Phototherapy
- Treatment for congenital abnormalities
- Treatment for prematurity

Prostheses

Artificial limbs and internal prostheses, such as:

- Orthopaedic prosthese, including hip replacements, bone lengthening devices, and spinal plates and screws.
- End-vascular devices and devices for the central nervous system, cardiac system and ophthalmic system

Specialised radiology

Specialised radiology required in-or-out-hospital, such as CT and MRI scans

External medical appliances

- Wheelchairs
- Glucometers
- Hearing aids
- Low-vision appliances
- Large orthopaedic orthotics (for example, back braces)

Psychiatric hospitalisation

- Psychiatric treatment received as an in-patient in a psychiatric unit of a hospital. All treatment must be administered under he direct supervision of registered psychiatrist.

Major Disease Benefits

Pre-authorisation is required for the following benefits and procedures:

Oncology

Cancer treatment received both in hospital and at a registered cancer treatment center, including:

- Hospitalisation for in-patient cancer treatment
- Consultations
- Chemotherapy/oncology medication radiotherapy
- Specialised radiology, such as CT scans, MRI scans and angiography
- Pathology

Organ transplants

Operations for kidney, heart, liver, lung or bone marrow transplant where the insured person is the recipient, including:

- Hospitalisation
- Consultations
- Anti-rejection drugs (in and out of hospital)
- Pathology and radiology

Renal dialysis

- Renal (kidney) dialysis received at a hospital or at a legally registered dialysis centre
- Associated medical costs are also covered, including:
- Hospitalisation for in-patient treatment
- Consultations
- Medication
- Pathology

Out-Patient Health Cover

Out patient/day to day Benefits

Registration is required to access chronic benefits

Acute conditions

Consultations

- GPs
- Specialists

Acute medicines

- Medically necessary medicines

Procedures

- Pathology (blood tests requested by a doctor)
- Radiology (out-of hospital basic x-rays)
- Out-of-hospital, non-surgical procedures, such as applying plaster of paris and stitches

Auxillary services

- Physiotherapy
- Biokinetics
- Chiropractics
- Psychology
- Occupational therapy
- Speech therapy/audiology
- Hearing aid acoustician
- Podiatry
- Dietician
- Orthotist/prosthetist

Maternity

Additional day-to-day benefits to cover the costs of out-of-hospital maternity care, including:

- Consultations
- Radiology (such as ultrasounds)
- Blood tests

Dentistry and optometry

Dentistry

- Consultations
- Basic dental procedures (removal of teeth and roots, fillings, preventative treatment, scaling and polishing, and x-rays)
- Specialised dentistry (root canal treatment, dentures, inlays, crowns, bridges, periodontal treatment, othodontic treatment* and dental surgery)

** Restricted to insured persons 21 years and younger*

Optometry

- Eye examination
- Frames and lenses (including contact lenses) every 2 years

Chronic benefit

Chronic medicines

Once registered with our Chronic Disease Programme, the policyholder's medicines will be paid from the Chronic Medicine limit.

To register with the programme:

- Together with your doctor, complete a chronic medication form
- Submit this form to us for approval

Extended chronic benefit

Applies in addition to other day-to-day benefits and in addition to medicine for chronic disease.

Cover includes consultations, pathology and basic radiology for patients registered on the Chronic Disease Programme

International emergency medical evacuation for Elite, Plus, Roaming and Classic Evacuation policyholders

In the case of a medical emergency, we will pay for the transportation costs from the country where the medical emergency occurred to the nearest, appropriate medical facility within the area of cover. The nearest medical facility could be within the country where the medical emergency occurred.

Benefit conditions: Subject to pre-authorisation and the approval of our Medical Director. The insured person's medical condition must constitute a serious life-threatening medical emergency that required immediate evacuation. The seriousness of the medical condition will be judged based on the insured person's geographical location and the availability of the treatment or medical facilities locally. The purpose of the evacuation would be to obtain treatment to avoid death or serious impaiment of the insured person's immediate or long-term health.

Compassionate travel

We cover one economy class return airfare and all ancillary charges up to the limit, as stated in the Liberty Health Cover benefit option tables for a family member of the injured person.

Repatriation of mortal remains

- We cover preparation and transportation of the insured person's mortal remains from the place of death to his or her home country, or
- Preparation and local burial of the mortal remains in the country where the death occurred

Life Cover

GROUP LIFE INSURANCE SOLUTIONS

Our Group Risk Solutions are offered to organizations comprising of 10 members or more. The cover is offered under one master policy for all members reducing operational expenses and allowing your organization to enjoy benefits at a competitive premium relative to individual policies. Additionally, an automatic acceptance cover with limited benefits established around employee demographics means participants may benefit from cover without any medical checks.

Our solutions not only provide financial peace of mind, but can remove the potential for any financial difficulties arising from severe injury, illness and/or loss of life.

Group Life Assurance

Group Life Assurance (GLA) provides life cover payable as a lump some on the death of a member. GLA provides the member with the peace of mind that their family will be taken care of if they are no longer there to support them.

Critical Illness

Critical Illness benefit provides a lump sum to help ease the financial burden that the member could suffer due to a critical illness. The critical illness benefit must be taken together with the Group Life Assurance benefit.

Permanent and Total Disability

The permanent and Total Disability benefit pays a lump sum in the event of a permanent disability of the member before retirement. The purpose of this benefit is to protect the member against the loss of earning potential, if he/she becomes disabled and is unable to work. The Permanent & Total Disability benefit must be taken together with the Group Life Assurance benefit.

Tombstone

The tombstone benefit pays a lump sum on the death of the member to aid in providing a tombstone and the costs associated with the unveiling ceremony.

Permanent Health Insurance

The permanent health Insurance benefit provides members with a monthly income, in the event of them becoming disabled and unable to work. The benefit is payable until the member is able to go back to work or retires.

Family Support

The family support benefit provides a lump sum on the death of the member. This helps the family deal with urgent costs associated with funeral expenses as well as living expenses such as groceries following the death of the bread winner in the family.

Group Funeral

The funeral benefit pays a lump sum in the event of death of the member, spouse and children before the member's retirement. This benefit is designed to assist with the cost associated with the funeral arrangements.

Temporary and Total Disability

Temporary and total disability income benefit is a monthly benefit that is payable for a limited period. The core purpose of this benefit is to protect the member against the loss of earnings or earning potential, if he or she becomes disabled and is unable to work for a limited period

INDIVIDUAL LIFE/ RETAIL INSURANCE SOLUTIONS

At Liberty we make a difference in people's lives by making their financial freedom possible. Our wide range of life insurance solutions will give you and your loved ones complete peace of mind in difficult times. Some of our life solutions are:

Funeral Plan

Ensure a dignified funeral for you and your loved ones with Liberty's Funeral Plan. We take care of your funeral needs so you and your family can focus on what matters most.

Simple life Plan

Plan today for your family's future financial freedom. Get comprehensive cover should you pass away or become unable to provide for them due to an unfortunate event such as a Critical Illness, Physical Impairment or Disability

Critical illness Plan

Accidents happen. Make sure you're financially prepared for unforeseen events such as Accidental Loss of Life or Accidental Physical Impairment.

Business Owner Life insurance

Our Business Owner Life Insurance solution is designed to provide protection against unexpected events such as death, physical impairment and critical illness that may threaten the future of your business.

Hospital Cash Back Plan

The Hospital Cash Back Plan is not a medical aid scheme and cover is not a substitute of a medical aid scheme, but the money you receive can help with the stress of having no income while hospitalised.

Education Protector

Plan for your children's education today with cover that takes care of them when you no longer can.

What do you think is important for you and your family in terms of their financial future:

Do you worry about who will take care of your family if you were no longer around?

Do you have parents or extended family living with you and need you to provide for them?

Is your children's education important to you?

Do you have simple needs and don't have anyone who depends on you?

Do you at times find yourself in an environment where there is a high risk of an accident occurring?

Do you have a family history where critical illness is prevalent?

Do you know if your cover is in line with inflation?

Accidental Disability Plan

Our Business Owner Life Insurance Accidents happen. Make sure you're financially prepared for unforeseen events such as Accidental Loss of Life or Accidental Physical Impairment.

SOMA Plan

Our Business Owner Life Insurance Our soma plan helps you build up a savings fund for your children education.


CP
Ugan
Promoting Professio
CP
Uga
Promoting Profes

Liberty emerges winner of the 2017 FiRe award in the Insurance category.

We are the **stewards** of our investors' financial capital and we value their trust and confidence.

Our financial performance discussed in this section is the precursor to creating value for our stakeholders.

Financial Review

A. Financial definitions

Net insurance premium revenue	Gross written insurance premium revenue less premium income ceded to reixnsurers.
Investment and other income	Income earned on non-underwriting activities such as interest income earned on investments in financial instruments.
Net claims expense	Gross claims and policy holder benefits incurred less claims recovered from reinsurers.
Net commission expense	Commission expense less commission income.
Underwriting profit/ loss	Profit or Loss from underwriting activities excluding non-underwriting activities such as investment income. (Net insurance premium revenue – Net commission expense – Net claims expense – Administrative expenses)
Profit for the year	Annual profits attributable to the ordinary shareholders, minorities and preference shareholders.
Reinsurance ratio	Ratio of facultative and treaty premiums ceded to reinsurers and to Gross written insurance premium revenue.
Claims ratio	Ratio of net claims expense to the net insurance premium revenue.
Expense ratio – gross	Ratio of the total administrative expenses to the gross written insurance premium revenue.
Net Expense ratio	Ratio of total administrative expenses to the net insurance premium revenue.
Commission ratio	Ratio of net commission expense to net insurance premium revenue.
Combined ratio	Ratio of total expenses (Administrative expenses + Net Commission expense + Net claims expense) to the net insurance premium revenue

B. Financial highlights

Ushs 35.6Bn
Gross written premium

Ushs 1.5Bn
Investment income

Ushs 5.2Bn
Net claims paid

Ushs 4.2Bn
Net commissions paid

Ushs 31.3Bn
Total assets

Ushs 11.4Bn
Total Shareholders' equity

Ushs 14.9Bn
Operating and administrative expenses

	2018	2017	2016	2015	2014
Statement of comprehensive income (Shs'M)					
Insurance premium revenue	35,609	37,568	38,837	33,513	24,816
Reinsurance premium ceded	14,373	15,138	14,985	13,332	7,698
Net insurance premium revenue	21,236	22,430	23,852	20,181	17,118
Investment and other income	1,555	2,192	3,997	3,446	2,427
Total income	22,791	24,622	27,849	23,627	19,545
Net claims expense	5,153	4,709	6,780	4,944	3,592
Net commission expense	4,195	1,947	3,152	3,140	1,334
Administration expenses	14,962	10,650	9,838	8,561	6,084
Profit before tax	87	7,209	6,309	7,348	5,894
Profit after tax	48	5,187	4,960	5,800	4,722
Statement of financial position (shs' M)					
Financial instruments	15,242	17,578	20,206	24,932	20,938
Total Assets	31,345	38,701	46,508	42,810	36,074
Policy holder liabilities	8,148	13,095	13,536	15,424	14,364
Total liabilities	19,971	20,527	29,548	25,343	21,363
Shareholders' Equity	11,373	18,174	16,960	17,467	14,711
Key ratios					
Reinsurance Ratio	40%	40%	39%	40%	31%
Net claims ratio	24%	21%	28%	24%	21%
Net commission expense	20%	9%	13%	16%	8%
Gross expense ratio	42%	28%	25%	26%	25%
Net expense ratio	54%	47%	41%	42%	36%
Combined ratio	98%	77%	83%	82%	64%

Key performance trends 2014 to 2018

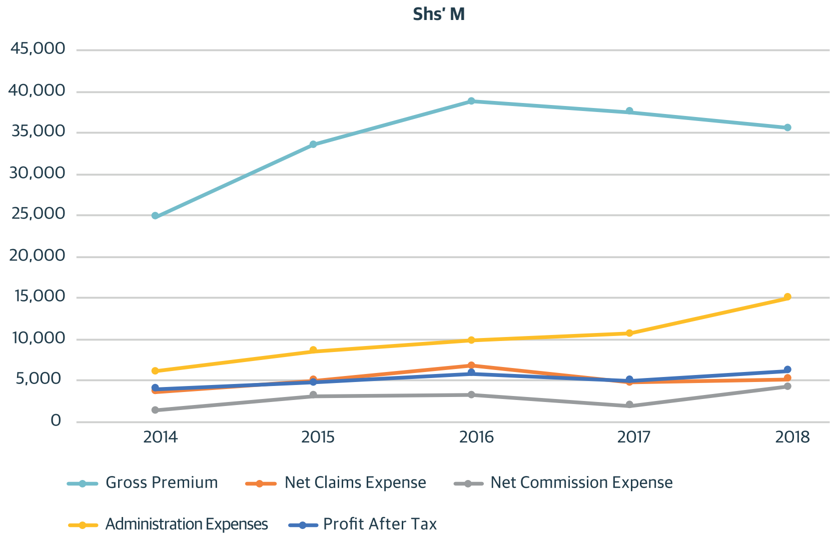


Figure 1 Gross Written Premium

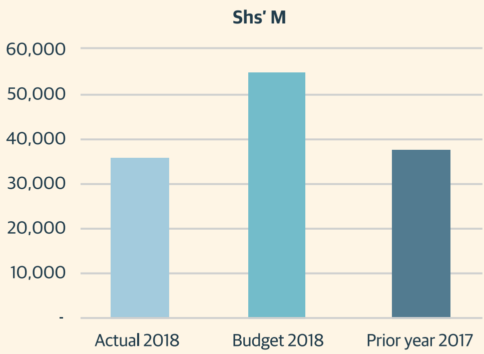


Figure 2 Reinsurance Premium Ceded

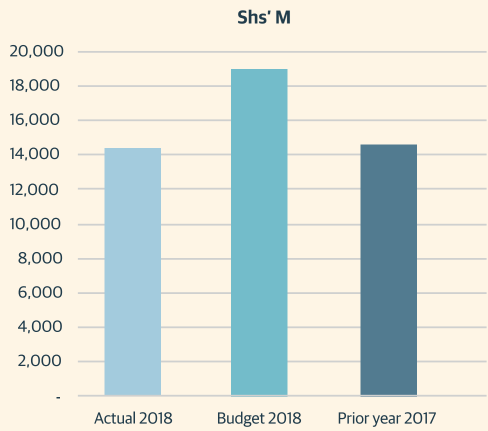


Figure 3 Net Claims Expense

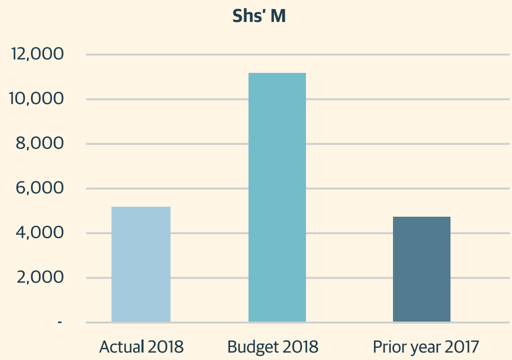
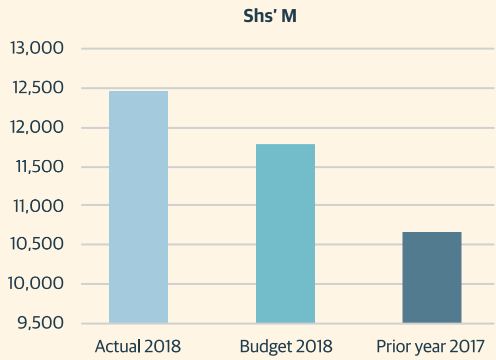


Figure 4 Administrative expenses



C. 2018 Financial performance overview

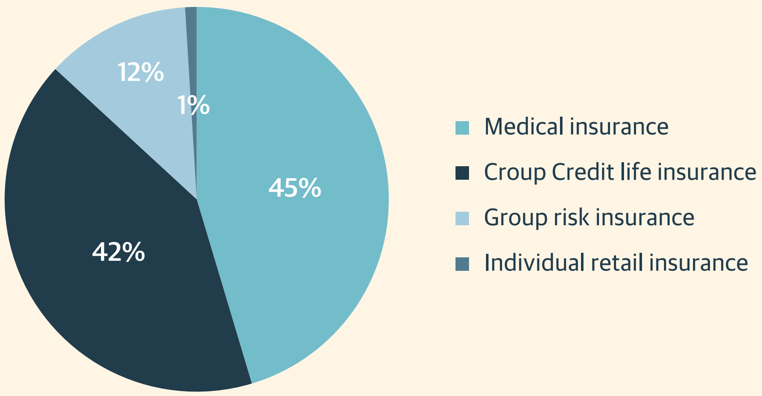
Statement of comprehensive Income

Insurance premium revenue

The Gross Written Premium (GWP) for the year was shs 35.6Bn. This was comprised of 55% life and 45% medical insurance premium respectively. The composition of the GWP per class of insurance business sold during the period is illustrated in the pie chart below.

The gaps on budget and prior year (refer to graph 1 above) is mainly explained by dilution of business experienced on the key group credit life insurance schemes following a Bank of Uganda directive for the banks to provide their customers with various options of insurers as opposed to one insurer; thus leading to a reduction in the premiums received from various banks under group credit life insurance.

Gross Written Premium Shs' M



Reinsurance premium ceded

The reinsurance ratio closed at 40%, which is in line the current and prior year performance on gross written premium and in line with the budget movements.

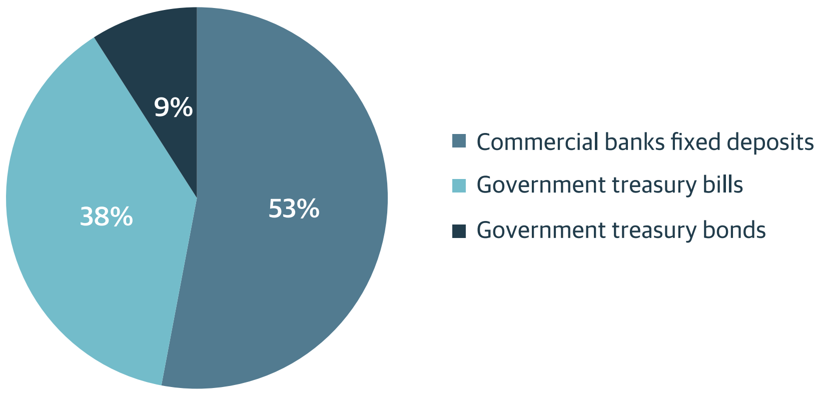
The above ratio is a measure of how much risk is being passed on to reinsurers out of the GWP; which is important for the company to limit potential losses that may arise out of high uncertain claims, to create stability and consolidate financial strength.

Management will continue to focus on net insurance premium revenue growth without causing an imbalance to the bottom line, through negotiation of strong and competitive reinsurance treaties.

Return on Investment

The total investments held as at year end were shs 15.2 Billion; comprised as below;

Amortised cost Shs'M



The performance of the investment fund was largely stable during the year with a weighted average rate of return of 10.4% largely due to sustained liquidity in the market.

Management continues to focus on investment in well secured institutions which deliver good returns with oversight of the investment committee of the board of directors.

Net claims expense

The net claims incurred for the period were shs 5.2BN, which is a testimony of the promise to our customers to protect them in times of uncertainty as well as our commitment to doing business the right way.

The net claims ratio was 24% compared to 21% in the prior year and a budget of 31%. This ratio is a measure of the claims paid in relation to the net premium earned; which is important for the Company to assess the profitability of the various classes of business offered as to devise better claims management systems enable achievement of both the customers' and the Company's objectives.

Net commission expense

The net commission ratio reflects the costs of business acquisition. The net commission ratio for the period was 20% compared to 9% in the prior year and a budget of 15%. The year on year increase in the commission ratio was mainly driven by commission paid to various banks on the group credit life premium received following operationalization of the bancassurance regulations that permit for payment of such commissions.

Administrative expenses

The expense ratio increased by 7% to 54% in 2018 compared to 47% in 2018. This ratio enables management measure how much of the net written premium is used to cover operational and administrative expenses. There were no major changes in the expense drivers year on year; and the increase was mainly explained by office relocation costs incurred in December 2018.

Management is committed to reduce costs in a sustainable manner in line with the set targets.

Combined ratio

The combined ratio increased by 21% to 98% in 2018 compared to 77% in 2017. This ratio measures how much of the net written premium is utilized for payment of claims, commissions and operating and administrative expenses. The key drivers for the increase in this ratio are explained in the various sub headings above on the claims, commissions and administrative expenses.

Statement of financial position

Total assets

The total asset base as at 31 December 2018 was shs 31.3 billion. This was mainly comprised of 49% investment in financial instruments, 25% prepayments, reinsurance and other receivables and 5% cash and bank balances.

We registered a 19% reduction in the total asset base to Shs 31.3 billion in 2018 from shs 38.7 billion in 2017, mainly because of the 13% reduction in the financial investments following 2017 dividend pay-out of shs 5.03 billion during the year. Management is focused on the growth of the investment portfolio through premium revenue growth and investment in well secured institutions that deliver good returns.

Total liabilities

The company's total liabilities reduced by 3% to Shs 19.9 billion in 2018 from Shs 20.5 billion in 2017. The reduction was mainly due to settlement of key liabilities mainly reinsurance, commission and claim payables.

Capital management

The Company monitors its Capital Adequacy Ratio (CAR) in line with the measures established by the insurance regulatory authority of Uganda and in line with the Company's risk appetite. As at 31 December 2018, the Company's CAR was 3.12 (2017: 3.77) which is above the stipulated regulatory minimum CAR requirement of 3.0.

Statement of cashflow analysis

The Company's cashflow from operating activities increase to shs 4.1 billion in 2018 from shs 1.7 billion in 2017. The movement in the operating cashflows was in line with the movements in the cash receipts and cash payments during the period.

Cashflow from investing activities decreased by 12% to shs 1.98 billion in 2018 compared to shs 2.24 billion in 2017 mainly explained by a cash outflow for purchase of office equipment and furniture for the new office space in December 2018.

There were no significant changes in the cashflow from financing activities as this was still mainly driven by the dividend payout of shs 5.02 billion made during the year.

Overall, there was a net cash inflow of Shs 1.02 billion compared to cash outflow of Shs 928 million in 2017.

Chairman's Statement

Our strategy must constantly respond to changing client, industry, and market dynamics

Economic Environment

The business environment for FY 17/18 remained rather stable, marking an improved real GDP growth rate of 5.8% as compared to 3.9% for FY 16/17. This was mainly driven by the recovery in the agricultural sector, sustained growth in services and continued huge investment by the government into public infrastructure.

Insurance Industry

There was a 31% growth in the gross written premium for the Life insurance business; totalling to Shs 221 billion for 2018 compared to Shs 169 Billion in 2017. The Company still commanded a market share of 16.1% with GWP of shs 35.6 Billion. (Source: IRA market report 2018). Despite the above growth, the industry is still challenged by the low levels of insurance penetration; at 0.84% for 2018 compared to 0.81% in 2017.

There is also an increasing focus on digitalisation amongst major insurers, leading to yet another reassessment of the strategic direction and fit of legacy businesses. Firms are working hard to protect their ratings and capital position, increasing the pressure to divest noncore businesses and de-risk balance sheets. Developing joint ventures and innovative partnerships, often with non-traditional businesses, is increasingly becoming the norm.

Financial market instability will put stress on insurers' investment and capital positions. These stresses compound the most critical macroeconomic challenge for the insurance sector-low interest rates. Life insurers are even more vulnerable, given the proportion of guaranteed products in their legacy portfolios and levels of interest rate sensitivity in their business mix. Investment strategies should be geared to a continuation of low interest rates-and, as they are a key driver for absolute return on investment, they will need to be tailored to adapt to challenging market conditions.

IFRS 17 which is a new approach to accounting for insurance contracts was issued by the International Accounting Standards Board in May 2017 and replaces IFRS 4. IFRS 17 applies to annual reporting periods beginning on or after 1 January 2021. The objective is to improve financial reporting by providing more transparent and comparable information across insurers.

Business performance

It gives me much pleasure to report that the Company continued with its strong performance in 2018. The net profit after tax for the year ended 31 December 2018 was Shs 48 million.

The shareholders' equity was Shs 11.37 billion compared to Shs 16.35 billion in 2017.

During the year, the board of directors approved and paid an interim dividend of Shs 5.02 billion (2017: Shs 4.96 Billion)

Full details of the Company's performance are set out on subsequent pages of this report.

Outlook and Strategies

Our clients remain our key priority, providing trusted investment advice and products to help them to plan and to manage the uncertainty and risk they face.

Our strategy must constantly respond to changing client, industry, and market dynamics. The structures established will continue to focus on the prioritised actions required to adapt and grow our business sustainably.

Liberty's capital position remains strong under the new prudential regulatory regime.

Regulatory and policy changes affect both our short-term performance and longer-term strategy. Accordingly, the board places great importance on constructive and effective relationships with the regulators and policymakers who supervise our business and markets.

Transformation and economic inclusion remain a priority—we are committed to ensuring that we create a culture of inclusivity within our business and meaningfully contribute to transformation. Our corporate social investment programmes continue to have a strong focus on education and financial literacy.

In the economies in which we operate, a lack of infrastructure continues to hamper development. This is why we continually seek ways of investing that support economic growth.

Appreciation

We demanded exceptional commitment from management and our employees in 2018. I would like to express my gratitude to them for their hard work and dedication during the year. Through all the actions they take in meeting and exceeding our clients' expectations, they are the key to Liberty's future success.

To my fellow directors who serve Liberty with the highest levels of diligence and enthusiasm, I extend my sincere appreciation.

I would finally like to thank our investors for their continued support.

I am confident that we are on track to sustainably grow shareholder value over the medium to longer term.

Gerald Ssendaula
Chairman, Board of Directors
31 May 2019

Me and My Income

UNDERSTANDING WHERE YOUR MONEY COMES FROM IS THE FIRST BUILDING BLOCK FOR CREATING FINANCIAL FREEDOM.

Managing Director's Statement

We remain focused on delivering on the promises we have made to our clients and stake holders, so that we can be true to our purpose of improving people's lives by making their financial freedom possible.

The was an improved economic outlook for FY17/18 with economic growth rate at 5.8% up from 3.9% in FY16/17. This was mainly driven by the recovery in the agricultural sector, sustained growth in services and continued huge investment by the government into public infrastructure.

Liberty continued to fulfil its promises to clients and supported them through their life journeys. We paid Shs 5.2 billion in net claims and insured over one million lives. The value of these payments is immeasurable for families following the passing of loved ones, for people who suffer disability or dread disease. We are privileged to work with people, helping them achieve their hopes, dreams and aspirations, partnering with them through their life journeys.

Our ambition is for our humanity to differentiate Liberty in the provision of advice, insurance and investments.

Our activities are designed to increasingly deliver measurable impacts aligned to the Sustainable Development Goals as well as the National Development Plan. We continue to work with our colleagues in government, business and organised labour to play a role in the policy and legislative consultation process.

The leadership team will continue to focus on restoring the financial performance and general competitiveness of our business, where plans are in place to improve the delivery of risk and investment solutions through enhanced advice processes, deliver market leading solutions, improve service generally, and digitise both internal and client processes as rapidly as possible.

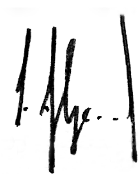
Together with the Group's financial performance for the past two years, a review of how we can create sustainable value for our stakeholders in a rapidly changing context was necessitated. Through this extensive process of internal reflection and consultation, we were able to clarify our strategy and its associated focus areas to ensure that we can deliver on our purpose.

We believe that the key to our sustainability is the relationships we have with our stakeholders in order to maximise the value we create for our customers and other stakeholders.

I would like to thank our employees and advisers for their continued support. We covered a huge amount of ground and made good progress against our priorities.

I remain confident that we will use 2019 to make similar progress towards restoring the health of our company. Most importantly, we will remain focused on delivering on the promises we have made to our clients and stake holders, so that we can be true to our purpose of improving people's lives by making their financial freedom possible.

In conclusion, we are determined to leverage the hard work and foundations laid in 2018 to continue to improve delivery to our clients and stakeholders and in so doing, improve financial performance in line with the targets set for our key financial metrics.



Joseph Almeida
Managing Director
31 May 2019

Congratulations!

Financial freedom is one of the greatest gifts you can give yourself and you are well on the way towards achieving it. But remember, it's a lifetime commitment so stay focused on the basics that you now understand:

- **By drawing up a budget, you now know exactly where your money goes each month**
- **By freeing yourself from debt, it no longer feels like you are always being squeezed by your lack of money**
- **By cutting your expenses and saving, you suddenly realise you can put aside money for the future**
- **By investing and saving, you are making your money work for you and developing real wealth**
- **By doing your homework and selecting the best bank and bank account for you, your money is in the best place it can be**
- **By insuring yourself and your assets, you are safeguarding your family's future**
- **Take a bow. You've made a significant start towards securing your financial freedom**

Directors' profiles

We are confident that we are on track to **sustainably grow** shareholder value over the medium to longer term.

Mr. Gerald M. Ssendaula
Chairman

Mr. Gerald M. Ssendaula is a former Minister of Finance, Planning and Economic Development, a Senior Presidential Advisor on Financial Matters and a Crop and Animal Farmer.

He is also a seasoned Banker; and a Director at Private Sector Foundation, National Union of Coffee Agribusiness and Farm Enterprises, Uganda Revenue Authority, East African Business Council, Tropical Bank and Madhvani Tourism Sector.

He holds a Bachelor of Commerce from the University of Nairobi and a Diploma in Banking from the Institute of Bankers.

Mr. Kevin Wingfield
Director

Mr. Kevin Wingfield is Head, Personal and Business Banking for Stanbic Bank Uganda Limited.

He was appointed to the Board of Liberty Life Uganda Limited in March 2016 and has represented the Standard Bank Group on various Boards across the African continent.

He has been instrumental and responsible for leading many bank acquisitions on the African continent for Standard Bank Group.

He has vast Senior and Executive level experience spanned over the years across various countries including Hong Kong, Australia, Ghana, and South Africa. He has operated at an Executive level at Standard Bank for almost 20 years.

He holds a Bachelor of Commerce and a Post Graduate Diploma in Accountancy from the University of Natal-Pietermaritzburg and is a Chartered Accountant (South Africa).

Mr. Anthony M. Katamba
Director

Mr. Anthony M. Katamba is the General Manager Corporate Services, MTN Uganda and General Manager Enterprise Business.

He has executive level experience in compliance and regulatory management within the East African Community countries; good working knowledge of business management and finance garnered from senior and executive general management roles in several companies.

He is a Non- Executive Director of Sanyu Babies Home, an Executive Trustee- MTN Uganda Foundation, an Immediate past Chairman of the National Council of Sports of Uganda.

He holds a Master of Laws in Telecommunications Law and Information Technology from the University of Strathclyde, a Post Graduate Diploma in Legal Practice from Law Development Center Uganda and a Bachelor of Laws (Honours) from Makerere University, Uganda.

Mr. Mike du Toit
Director

Mr. Mike du Toit joined Liberty in 2008. He is CfC's Managing Director and Liberty Group's Regional Executive for East and Central Africa responsible primarily for strategic growth initiatives, governance and stakeholder engagement. Prior to this he was Managing Director of Stanbic Bank Limited having led the merger of the Stanbic and CfC Groups.

As a career banker, he has extensive experience in the financial services field across sub-Sahara Africa having worked and lived in, amongst others Botswana, Mozambique, South Africa and Uganda. He is also a member of the boards of all Group associated insurance and asset management companies across the region.

Mr. Mayur M. Madhvani
Director

Mr. Mayur M. Madhvani is the Joint Managing Director of the Madhvani Group of companies, a family-controlled diversified conglomerate with business interests in East Africa, India, North America and Canada. He is a second-generation entrepreneur with a wealth of experience in developing businesses in challenging circumstances.

He is a Director of Kakira Sugar Limited, Madhvani Group Limited, Marasa Holdings Limited, Turks & Caicos Islands, East African Holdings Limited and Emco Limited, Bermuda, Emco Holdings Limited, Kenya, Mweya Safari Lodge Limited, Paraa Safari Lodge Limited, Chobe Safari Lodge Limited, Silverback Lodge Limited, The Ark Limited, Mara Leisure Camp Limited, Steel Corporation of East Africa Limited, East African Packaging Solutions Limited, Marasa Tourism Hotels, Mujibhai Madhvani Foundation, Citi Private Bank EMEA Advisory Board.

Mr. Joseph F. Almeida
Managing Director

Mr. Joseph Almeida is the Managing Director of Liberty Life Assurance (U) Limited since 2007.

He is an Associate of the Chartered Insurance Institute (UK) and has over 30 years' experience in Insurance spanned from Senior and Executive Management roles in various countries not limited to United Kingdom, South and East African countries to mention just a few.

He is the Chairperson of the Life, Pension and Medical Committee at the Uganda Insurers Association; and also, a member of the Executive Committee of the Uganda Insurers Association.

Me and My Family's Future

PLAN FOR THE WORST AND HOPE FOR THE BEST WITH COMPREHENSIVE INSURANCE FOR YOU AND YOUR FAMILY.

Senior Management team profiles

We recognise the importance of the trust in the Liberty Brand, It is important that we ensure that all our practices are **consistent** with our values and principles.

Mr Joseph F. Almeida – Managing Director

Mr Joseph Almeida is the Managing Director of Liberty Life Assurance (U) Limited since 2007. He is an Associate of the Chartered Insurance Institute (UK) and has over 30 years' experience in Insurance spanned from Senior and Executive Management roles in various countries not limited to United Kingdom, South and East African countries to mention just a few. He is the Chairperson of the Life, Pension and Medical Committee at the Uganda Insurers Association; and also, a member of the Executive Committee of the Uganda Insurers Association

Frank Balabyeki
Head of Risk and Compliance

Frank Balabyeki is the Head of Risk and Compliance at Liberty Life Assurance (U) Ltd. He is a graduate in Bachelors in Industrial Chemistry from Makerere University. He has over 15 years' experience as an audit, risk and compliance professional. He has spent over seven years in senior management positions having worked as the Assistant Head of Internal Audit and later Head of Risk and Compliance at Equity Bank. He later joined Liberty in 2015 as Risk & Compliance Manager to date. Frank is a member of ACCA and ICPAU

Joan Musiime Mwondha
Country Head Finance

Joan has over 17 years combined experience in Assurance and Advisory Business services, Management Advisory services and Financial Management. She has over 10 years' experience in the insurance sector. She holds a Bachelor's degree in Commerce (B. Com Hons.) from Makerere University and is a member of the Certified Public Accountants of Uganda (CPA-U) and a Fellow of the Association of Chartered Certified Accountants (ACCA). She is currently pursuing a Masters of Business Administration from Edinburgh Business School.

Frank Tindyebwa
Country Head Health

Frank Tindyebwa currently serves as the Country Head for Health at Liberty Life Assurance Uganda Limited, a position he has held since June 2015. Frank previously served as the Country Manger – Growth & Retention: Health for LLAU. Prior to that he was the Regional General Manager for AAR Rescue Services based in Kenya. He also worked as AAR Health Services General Manager for Rwanda and Burundi based in Kigali. Prior to that he was responsible for the growth of AAR Health Services in Uganda into one of the largest Medical Insurance providers in Uganda. Frank holds a Bachelor's degree in Education from Makerere University

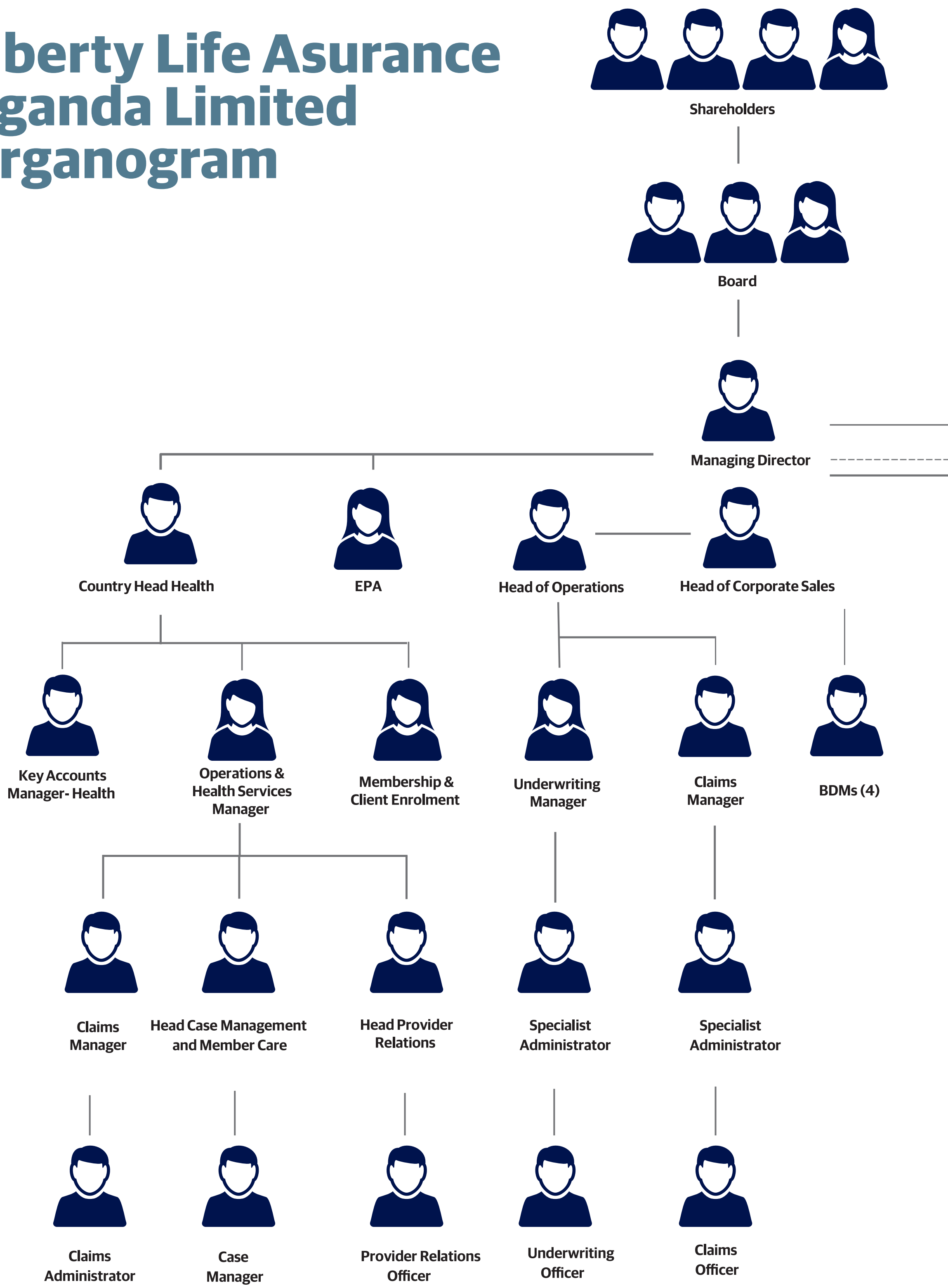
Ms. Cissy Nanfuka
Head Corporate Sales

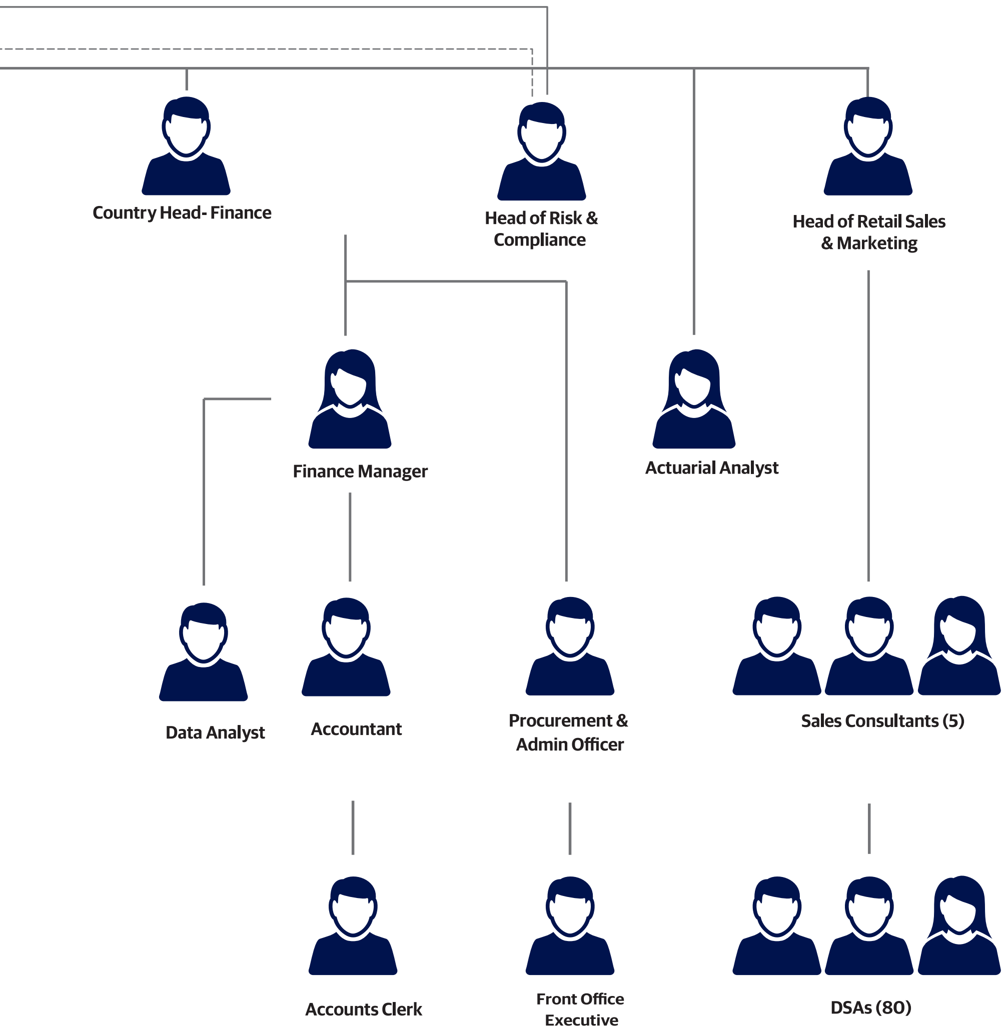
Cissy has over 12 Years working experience in the Insurance Sector. She holds a Diploma in Nursing from Kyambogo school of Health Sciences and a certificate of Insurance practice. She has worked with several Insurance companies like Microcare Health Insurance as Claims Manager, UAP-Old mutual as Claims Manager and in 2015 joined Liberty Life Assurance Uganda as a Business Development Manager and has since grown in ranks to Head of Corporate Sales – Life & Health a position she currently holds.

Agatha Namara - Head Retail and Marketing

Agatha has 10yrs work experience in the insurance sector both broking and insurance services. She holds a Master's of Science in Finance and Accounting and Bachelor of Business Administration from Makerere University and is currently pursuing ACII.

Liberty Life Asurance Uganda Limited Organogram




Country Head- Finance
Head of Risk & Compliance
Head of Retail Sales & Marketing
Finance Manager
Actuarial Analyst
Data Analyst
Accountant
Procurement & Admin Officer
Sales Consultants (5)
Accounts Clerk
Front Office Executive
DSAs (80)

At Liberty our employees are central to our success. They are unique individuals with dreams, aspirations and a desire to develop themselves and their careers for a better tomorrow. We understand the significance of **attracting, retaining and growing talent** to deliver the right solutions for our clients, effectively and efficiently. We deliver competitive pay and benefits aligned to the market for different functions and skills.

Long serving Staff

Employees supply the necessary capacity, skills and expertise to deliver on our promises to clients and other stakeholders. Employee-related material matters reference Liberty's ability to provide an environment in which our employees thrive, where they are motivated to provide high levels of client service, enthused about Liberty's success and optimistic about their future careers. Details of the employee engagement are disclosed in the sustainability report on page 63.

During the year, we celebrated staff that have been in service with the Company for five or more years, recognising their contribution towards the success of the Company. These are featured in this section of the report.

NAMARA AGATHA

Brief profile about yourself;

I have ten years work experience in insurance and I joined LLAU June 2014 as a Business Development Manager, and am now serving as Head of retail and Marketing. I hold a Master's of Science in Finance and Accounting and Bachelor of Business Administration from Makerere University and am currently pursuing ACII.

What have you felt good about in accomplishing in your job for the time you have been with LLAU?

Starting up the retail department with now sixty DSAs and seven administration staff. We still have a long way to compete with the rest of the market but am positive about the journey.

I also appreciate the opportunity to serve as part of the EXCO team of LLAU.

What are your short and long term goals with the company?

To grow the LLAU retail market share to top three position. And my long term goal is to have LLAU agency footage across the country for better penetration.

DAPHINE KAJABAGO

Brief profile about yourself

I joined LLAU June 2011 as a front desk officer. I hold a Degree in Social Work and Social Administration, a Diploma in Human Resource Management, Diploma in Insurance on going, Certificate in Customer Care, and Vast training in Insurance and life products and system training, I love the Lord and have faith in the Almighty, I endeavor not to hold any offence and keep happy despite any challenges knowing that tomorrow will be a better day.

> I endeavor not to hold any offence and keep happy despite any challenges knowing that tomorrow will be a better day.

What have you felt good about in accomplishing in your job for the time you have been with LLAU?

Positive Feedback and engagement from the clients we service usually keeps me going.Secondly, the team spirit among the LLAU colleagues in problem solving and also learning from past mistakes has given me the opportunity to grow and work better for progress

What are your short and long term goals with the company?

Communicating the importance of Insurance and our products as liberty. If you carefully select the most appropriate channel, hone your messaging skills, and carefully consider your client needs, our communication skills will significantly improve.

And my long term is to boost the company's Social Media Account, - By encouraging the BDM,s or the IT OR those in management, that it is important to gain as many followers as you can, it is just as crucial in regards to the content the company posts online on its social media page. Content is king while presentation is queen, we should make sure our advertising, appeals to the public senses not only in terms of content, but as to how they are being designed as well.

NAKATO JESSICA

Brief profile about yourself?

I am currently working as an underwriting officer. I have been with liberty since 2014 prior to that I was working as an operations officer. I hold a bachelor's degree in Business Management and a Diploma in Banking and Finance from St. Claret College, Bangalore University, India, currently pursuing a diploma in insurance from the insurance institute of Uganda. I appreciate Self-discipline, strong work ethics, high degree of honesty, ability to work independently with guidelines and clear expectations.

> I appreciate Self-discipline, strong work ethics, high degree of honesty, ability to work independently with guidelines and clear expectations.

What have you felt good about in accomplishing in your job for the time you have been with LLAU?

I have been given chance to show case my skills and talent as far as executing the duties of an underwriting officer. LLAU mentorship program has facilitated my ability to do my job correctly and effectively and that's why I have stayed longer and given better results.

What are your short and long term goals with the company?

- Increase insurance knowledge so that I can service customers efficiently. This knowledge is not specialized information on insurance products; rather, it is knowledge about every aspect of human life current affairs, and health, and the arts and sciences.
- To finish my professional papers (Diploma in Insurance) within the shortest time possible so that I can serve our customers better.

DR KASOZI FRANCIS

Brief profile about yourself

I am a Medical Doctor in my middle age bracket. I have completed nine years working with LLAUL.

I am a committed, self-driven and motivated individual with a strong belief in people management as a strong foundation for organizational success.

My vast experience with working in different Clinical settings, NGO settings, Academic settings and Health Services Management settings opened my gates to LLAUL in 2010. I am a committed, self-driven and motivated individual with a strong belief in people management as a strong foundation for organizational success. I cherish team or group achievement as opposed to individual achievement at the workplace. I believe that learning new things does not stop and that seeking for knowledge and the desire to share experiences with others at the work place is a recipe for continuous improvements.

What have you felt good about in accomplishing in your job for the time you have been with LLAU?

The various motivational avenues such as end of year staff parties accompanied with gift hampers and shopping vouchers and off-site travel to far stress-free environments, as well as the Financial assistance given to me by Management to advance my work and professional career path with an Executive MBA degree have all contributed to motivating me at my job with LLAUL.

What are your short and long term goals with the company

I have already lived and achieved my short-term goals with LLAUL. In the long term, I 'd like to be part of the team to see LLAUL as the market leader in both HEALTH and LIFE insurance in Uganda.

Nevis Mbeera

Brief profile about yourself

I joined Liberty in 2008 handling Health claims Authorization specialist with 10 years' experience in client servicing, Medical claims and case management.

My long term goal is to improve on my work quality, improve efficiency and increase productivity in my area of expertise.

What have you felt good about in accomplishing in your job for the time you have been with LLAU

Being able to resolve customer queries - real time resulting into customer satisfaction.

And also being able to offer solutions to the ever changing customer needs and requirements.

What are your short and long term goals with the company

Short Term goal:
To Communicate more effectively with customers and to be a value add to my team members.

Long term goal:
Improve on my work quality, improve efficiency and increase productivity in my area of expertise.

Awards and Recognitions

Sponsorship Award
From
Uganda insurance Brockers

Winner
2018 Financial reporting
(FiRe) Awards

Appreciation Award
Winner Life Insurance

Appreciation Award
LIFE LINK Medical
group

Participation Certificate
The Best Informed Insurer

Participation Certificate
USSIA

Appreciation Award
Winner Life Insurance

Recognition Award
Annual Conference of the Insurance Brockers Association of Uganda

Corporate Governance

The board subscribes to the highest levels of **professionalism and integrity** in conducting Liberty's business and in dealing with stakeholders. The board of directors hold one another accountable for decision-making and acting in an ethical manner thus providing effective leadership.

Liberty's governance structure and processes

Effective corporate governance within an ethical environment creates value for all stakeholders. In 2018 the Liberty board approved an enhanced governance framework setting out the governance principles, practices and guidance to facilitate effective and efficient management of the business. The adoption and implementation of this framework ensures sound and prudent management and oversight of Liberty's business, adequately recognising and protecting the interests of all its stakeholders.

Ethical culture

The board subscribes to the highest levels of professionalism and integrity in conducting Liberty's business and in dealing with stakeholders. The board of directors hold one another accountable for decision-making and acting in an ethical manner thus providing effective leadership.

Liberty has a board-approved code of ethics which has been communicated to all internal stakeholders. The board has a zero-tolerance approach to unethical behaviour and all the necessary reporting mechanisms, sanctions and remedies are in place to identify and manage breaches of ethical standards.

The directors should be and remain fit and proper, having the necessary competence and integrity to fulfil their respective roles. A fit and proper policy is in place and is reviewed annually.

Strategy, performance and reporting

The board and management are responsible for providing the overall strategic direction to the Company and are required to oversee the implementation of Liberty's business objectives and strategies, including its risk strategy and appetite, in line with its long-term interests.

Annual performance targets are set. Business performance measurement involves the calculation of the key performance metrics, used by stakeholders, to determine whether management has successfully implemented the strategy. Performance is assessed against performance targets, which incorporate assessments of risk, established through the strategic planning process.

Management has the primary accountability for the day-today operations, control and reporting of business performance in accordance with the strategies, policies and risk parameters set by the board. The board oversees the preparation of all reports that are publicly available, ensuring they present material information in an integrated manner, providing users with a holistic, clear, concise and understandable view of Liberty's performance in terms of sustainable value creation in the economic, social and environmental context within which it operates.

Relationship with Shareholders

The responsibility of appointment of the board of directors lies with the shareholders. The board of directors are accountable to the shareholders on effective corporate governance.

The annual general meeting is the major point of contact between the shareholders, management and the board of directors. The Company's shareholders are represented on the board of directors and its respective committees.

The shareholders ensure appropriate oversight of the Company through monthly review of financial reports availed by management. They further have access to company records and information, and regular contact with the managing director and senior management team whom they may consult for any additional information if required.

Board of Directors

The board is the link between the shareholders and the management. It is thus responsible for overseeing the management of the business on behalf of the shareholders, for ensuring prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders.

The Board's leadership responsibilities involve working with management to set corporate values and to develop strategy, including deciding which risks it is prepared to take in pursuing its strategic objectives.

Appointment of directors

The Board has in place robust processes to ensure appointment of the best qualified persons to achieve the highest standards of governance for the benefit of all stakeholders.

In appointing new non-executive directors, the board thus considers various aspects such as experience of the industry sectors, professional background, integrity, passion, nationality and gender. The detailed appointment process is set out in the Board Charter. This is also governed by the Company's Articles and Memorandum of Association.

The terms and conditions of appointment of non-executive Directors are set out in their letters of appointment. Independent consultants are engaged where appropriate to identify possible new candidates for the Board.

The board is also focused on succession planning, for both the board and senior management team as this is key for the continued successful operation of the Company. This is mainly through continued performance assessment and development of identified talent/ potential successors such as through training, engagement of the group team to ensure development of the required skills set.

Composition of the board.

We recognise that a balanced board is vital for sustainable value creation. The board currently consists of eight non- executive directors, which is considered effective and appropriate for the size of the Company.

We believe that the board composition is both qualitatively and quantitatively balanced in terms of skills, race, gender, experience, tenure and independence.

The directors' profiles are included in this report on page 37.

The board is led by the Chairman. The board also delegates certain functions to well-structured committees but without abdicating its own responsibilities.

The Board has accordingly established the following committees:

- Audit and Risk Committee
- Investments Committee

Subject to applicable law, the Board may establish other Board committees or merge or dissolve any Board committee at any time.

Specific roles of the Chairman include;

- providing leadership to the Board in relation to all Board matters
- Ensuring that Board meetings are held regularly throughout the year
- Overseeing Board performance, appraisal and succession
- Guiding the Board agenda and conducting all Board meetings

Audit and risk committee

The committee consists of four non-executive directors, with the Managing Director and Country head of finance attending by invitation. The committee meets at least three times in a year.

The function of the committee is to advise the Board on all matters relating to corporate governance, business risk and regulatory issues. It monitors financial controls, accounting systems and assesses the processes for identifying, monitoring and managing business risks. It reviews the company's budget, interim and annual financial statements and external audit fees. The committee also recommends the appointment of external auditors, reviews and monitors the external auditors' independence and objectivity, taking into consideration relevant professional and regulatory requirements.

The committee also reviews reports from the Internal Audit and considers processes/ action required of management to correct any deviations noted.

The committee further reviews human resource matters, to ensure that the right calibre of management is recruited and retained. To achieve this, it ensures that directors and senior management is appropriately rewarded for their contributions to the Company's performance, with specific focus on incentive payments and long-term remuneration structures.

The Committee reviews the Company's organizational and staffing structures, human resource policies and practices, remuneration arrangements, authorities and delegations and employment arrangements to ensure that the Company's policies and practices are fair, attract and retain high calibre staff, reward performance appropriately and that succession plans are robust and aligned with the company's longer term strategic objectives.

Investment committee

This committee consists of four non-executive directors. The Managing Director and the Country head of finance attend the committee meetings by invitation. The committee meets at least three times a year. The committee's role is to determine and monitor the Company's overall investment strategies and policies.

The duties of individual board members include

- Acting in good faith, honestly and reasonably
- Exercising due care and diligence
- Acting in the best interests of the group, its clients and shareholders
- Exercising independent judgement and objectivity in decision-making

The board meets routinely as provided for in the Company's Articles of Association. The board and committee meetings are held at least quarterly to facilitate effective and efficient decision making.

Directors' attendance of scheduled Board meeting for the year 2018 was as below

Name	15th March	15th August	1st November
Mr Gerald Ssendaula - Chairman	√	√	√
Mr Ravi Singh	√	√	√
Mr Mike Du Toit	√	√	√
Mr Kevin Wingfield	√	√	√
Mr Anthony Katamba	√	√	√
Mr K. N. Nair	√	√	√
Mr K. P. Eswar	√	√	√
Mr Mayur Madhvani	√	√	√

The Investment committee meetings attendance during the year 2018 was as below

Name	29th March	9th August	7th November
Mr. K. N. Nair - Chairman	√	√	√
Mr Ravi Singh	√	√	√
Mr. Mike du Toit	√	X	√
Mr Peter Makhanu	√	√	√

The Audit and risk committee meetings attendance during the year 2018 was as below

Name	29th March	9th August	7th November
Mr. Ravi Singh - Chairman	√	√	√
Mr. Anthony Katamba Director	√	√	√
Mr Peter Makhanu	√	√	√
Mr. K. N. Nair	√	√	√

Board evaluation and training

The board evaluates its performance annually to assess its effectiveness as well as improve its operations. Board training and evaluation was conducted in November 2018 with assistance of an independent external expert. The matters arising from the evaluation are being addressed accordingly.

Independence

The independence of each director is assessed annually by the Board as part of its annual Board effectiveness review. The directors were also required to be independent of management and free from any business relationship or other circumstance that could materially interfere with their exercise of independent judgement. There were no independence issues identified and reported during the year 2018.

Conflict of interest

The directors have a statutory duty to avoid situations in which they have or may have interests that conflict those of the Company. The Board has in place procedures and guidance to deal with the actual or potential conflict of interest such as exclusion of the director from discussion on a specific agenda item in which they may have interest and obtaining confirmation in form of a conflict of interest form circulated by the Company secretary at the start of the meeting.

Board Remuneration

The remuneration of the non-executive directors of the board is determined in line with a set out criteria and approved by the shareholders. The fees received comprise of an annual retainer and sitting allowances. The fees paid to the directors during the year are disclosed in Note 17 of the financial statements.

Access to information

The Board and its committees are supplied with full and timely information, including detailed financial information, to enable the Directors to discharge their responsibilities.

The board may also invite members of management, the external and internal auditor and any other non-executive director or employee to the board and committee meetings to ensure that they properly informed about the performance of and any issues affecting the Company.

Management

The board has delegated responsibility of the day to day management of the Company to the managing director and his executive management team, it however retains the mandate of approval of the Company strategy. The board aims at having a diverse leadership team with regards to skills, professional expertise and gender as well.

The Company has in place formal procedures for appointment of senior management. These include advertisement of vacant positions, conducting oral and written interviews, performance of a due diligence, engagement with the Liberty Group Human Resource team and obtaining approval from the Insurance Regulatory Authority (IRA) before confirmation of the best suited candidate. On joining the company, the persons are required to undertake induction and tailored training to enhance their knowledge and understanding of the business processes.

Management team has the responsibility of availing regular and timely information about the Company's performance, as well as implementation of the Company's strategy and policies as agreed by the Board.

The EXCO team is currently comprised of five members of which three are females and two are males. The EXCO team is led by the managing director and is supported by the various heads of department. Profiles are included on page 41 of this report.

Relationship with stakeholders

Given the industry we operate in, earning and maintaining the trust of our stakeholders is critical to our sustainability.

We understand that by engaging our key stakeholders meaningfully, we can gain insights into their needs. Stakeholder engagement is increasing being integrated into the company's business processes.

The company proactively engages various stakeholders including employees, shareholders, customers, Regulators and suppliers.

These are engaged continuously throughout the year as summarised below;

- Compliance with industry laws and regulations through submission of quarterly and annual returns to IRA;
- Filing of provisional and final tax returns with URA;
- Engaging in various customer wellness programs to sensitize the customers on financial and health wellbeing;
- Activation of a customer call centre help line available to address any queries from

the customers especially on the medical side of the business;

- Maintaining a log of customer complaints such as requests for statements and ensuring that these were followed up and resolved timely;
- Client satisfaction surveys to enable the company improve service delivery as well remain relevant to their needs and interests;
- Conducting monthly staff meetings where employee related matters were raised and attended to appropriately;
- Engaging in annual staff team building activity as well as various trainings to boost morale and develop staff; and
- Engaging in broker and other supplier meetings to devise ways of forming formidable working relationships

Governance structures, roles and responsibilities

Recognising that clear accountabilities for the management of risk are fundamental to the success of any risk framework, the group has an ERM governance structure which is complemented by governance processes. The Board of Liberty Life Uganda as well as the Group, through its Liberty Africa Insurance division ensures that sufficient oversight and governance structures are put in place with respect to Liberty Life Uganda. These oversight and governance structures play a key role in assisting the Board of Liberty Life Uganda with mitigating regulatory, liquidity, solvency and market risks. These processes in place include;

- Maintaining a risk register that ranks the various risks the company is exposed to as well as ways of mitigating the same
- Audit issues tracker that ensures adequate and timely resolution of any audit findings
- Monthly Operations Committee meetings for the different teams such as underwriting, claims and finance to identify and address challenges in day to day operations.
- Roadmap for implementation as assessing impact of new regulatory requirements and new reporting standards. The financial reporting standards that have an impact on the Company are disclosed in Note 1.1 of the financial statements.

Governance and the ‘three lines of defence’ model

The Company has adopted a ‘three lines of defence’ model for managing risk. This model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and issues throughout the company.

The model incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk in the organisation. The implementation of this model ensures that risk management is embedded in the culture of the organization and provides assurance to the board and senior management that risk management is effective.

Three lines of defence model

Risk categories

- Strategic and business
- Insurance
- Market
- Credit
- Liquidity
- Operational

Risk governance

First line of defence Business unit management	• Manage day-to-day risk origination and management in accordance with risk policy and strategy • Identify and assess risks and implement management's response • Report and escalate material risks and issues to governance bodies • Track losses and implement remedial actions	Individuals are responsible for ensuring that the risks inherent in their area of responsibility are appropriately identified and managed. The primary responsibility for the management of risk rests with the teams responsible for the day-to-day decisions which give rise to the specific risk.
Second line of defence Heads of compliance, risk and actuarial control functions and statutory actuaries	• Provide oversight of and challenge to the first line of defence • Propose risk policy and strategy • Champion implementation of risk policy on strategy • Provide assurance to board and regulators	The monitoring of the external risk environment, the level of risk assumed, and the effectiveness of controls and other risk mitigation approaches is performed to ensure that the business is managed within risk limits and risk appetite and that any adverse deviations are identified and responded to. The risk and compliance oversight functions monitor and provide ongoing challenge with respect to management of risk within the business.
Third line of defence Independent assurance providers – internal and external audit	• Provide assurance over effective functioning of the first and second lines of defence functions, including independent assessment of the adequacy and effectiveness of the ERM framework	Group internal audit service provides assurance to the board and senior management that the controls in place are adequate and effective. Group internal audit services monitors adherence to the risk framework and its associated policies.

Group Internal Audit Services (GIAS)

Liberty Life Uganda does not have its own internal audit function. Internal audit services are provided by GIAS. GIAS is responsible for providing independent and objective assurance to management and the board on the adequacy and effectiveness of the group's risk management, governance, business processes and controls. GIAS is responsible for validating compliance to the group's overall risk framework and risk governance structures and for providing independent assurance to management and the board on the effectiveness of the first and second lines of defence. Internal audits are based on an assessment of risk areas, as well as on issues highlighted by GAAC and management. GIAS maintain a formal "Findings Tracking System" to ensure that all audit findings raised are addressed through clear action plans in a timely manner.

External Auditor

The independence, qualification resources and expertise of the external auditors as well as the effectiveness of the audit process are assessed annually by the audit and risk committee in line with established policies and procedures. This is aimed at safeguarding and supporting the independence and objectivity of the external auditors.

The Board reviewed its relationship with its auditors, PwC (Pricewaterhouse Coopers Uganda Limited) and concluded that there are sufficient controls and processes in place to ensure the required level of independence and that objectivity and independence of the external auditors were not in any way impaired in the year under review.

The external auditor is appointed by the shareholders at the annual general meeting through recommendation by the audit and risk committee.

Responsibilities of the external auditor and their involvement with management, as well as the audit opinion for the year 2018 are set out in the external audit report included in the financial statements section on page 99.

SOME OF OUR LOCAL CLIENTS

SOME OF OUR ITERNATIONAL CLIENTS

Liberty is
not just
our name.
**It's what
we do.**

Sustainability Report

Liberty values sustainable business practices as we strive to foster a thriving business environment, vibrant community, and regionally competitive economy'

The report illustrates how Liberty creates, delivers and safeguards value for all its stakeholders and how we deliver on our purpose of improving people's lives by making their financial freedom possible. It aims to communicate how we created shared value with regard to the issues that affect our sustainability and provides a holistic assessment of how Liberty creates value over time. Our focus is on the material issues that affect our stakeholders, and our ability to deliver on our purpose.

As part of the Standard Bank Group, we have adopted the SEE (Social Economic and Environmental) value proposition as we work to improve the realities of all our stakeholders by facilitating economic growth, social development and environmental stewardship in the areas in which we operate.

We took into account the Global Reporting Initiative's (GRI) reporting principles and material topics relevant to our business when writing this report. We recognize that we have a diverse set of stakeholders with different information needs.

Liberty values sustainable business practices as we strive to foster a thriving business environment, vibrant community, and regionally competitive economy. During the year we continued to maintain our strong financial performance and to invest in our customers, staff, our communities, other stakeholders and our environment.

Managing Value Creation

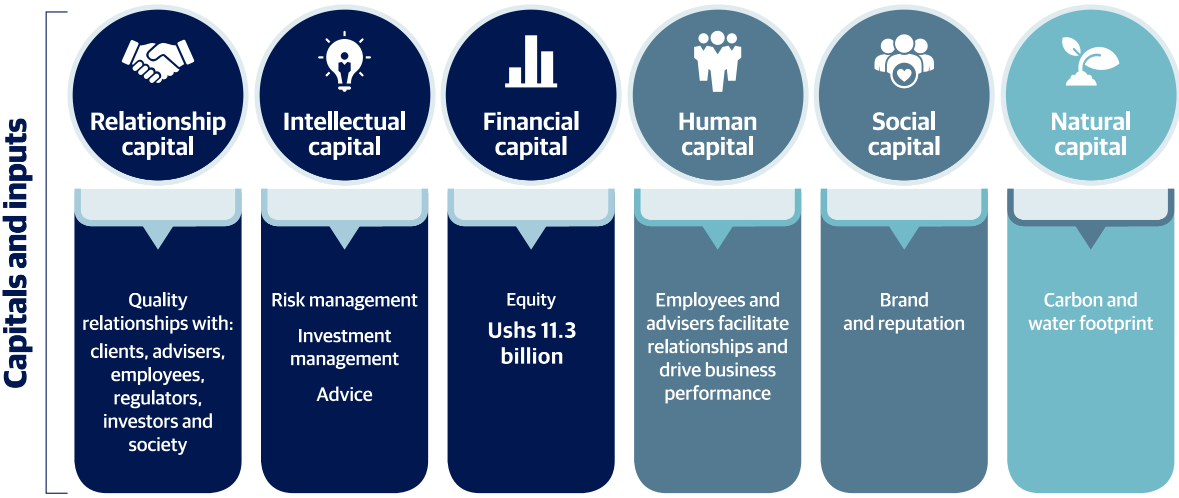
We manage the value creation process through both governance and management structures. Governance structures are designed to ensure that Liberty, through its employees and financial advisers, acts ethically, is effectively controlled, delivers sustainable financial performance and grows its brand and legitimacy. Management structures focus on delivering against our strategic value drivers and responding to identified material matters. Our governance structures and processes are materially aligned to the principles and practices of corporate governance.

The Board is ultimately responsible for the continuous focus on provision of value over time for our stakeholders and the company's continued impact on economy, the social framework and the environment. At the board and committee meetings carried out during the year, the Managing Director keeps the Board of Directors updated on the activities we have undertaken across each of our focus areas, as well as how we are striving to create shared value for our stakeholders.

Through our 5 year strategic plan, our sustainability goals are then embedded in to the activities carried out in the company and to the KPIs of individual staff. Management, which is made up of the Executive Committee (EXCO) is then directly responsible for ensuring that each staff performs accordingly through half-yearly KPI review sessions.

Liberty's approach to remuneration is to promote the achievement of the strategic objectives, while considering the management of risk, capital and liquidity of the group and encouraging individual performance through the setting and administration of a group policy that articulates and gives effect to fair, responsible and transparent remuneration. Liberty's remuneration policy ensures as far as possible that its employees' and shareholders' interests are aligned.

Our Business Model



Our Strategic Value Drivers

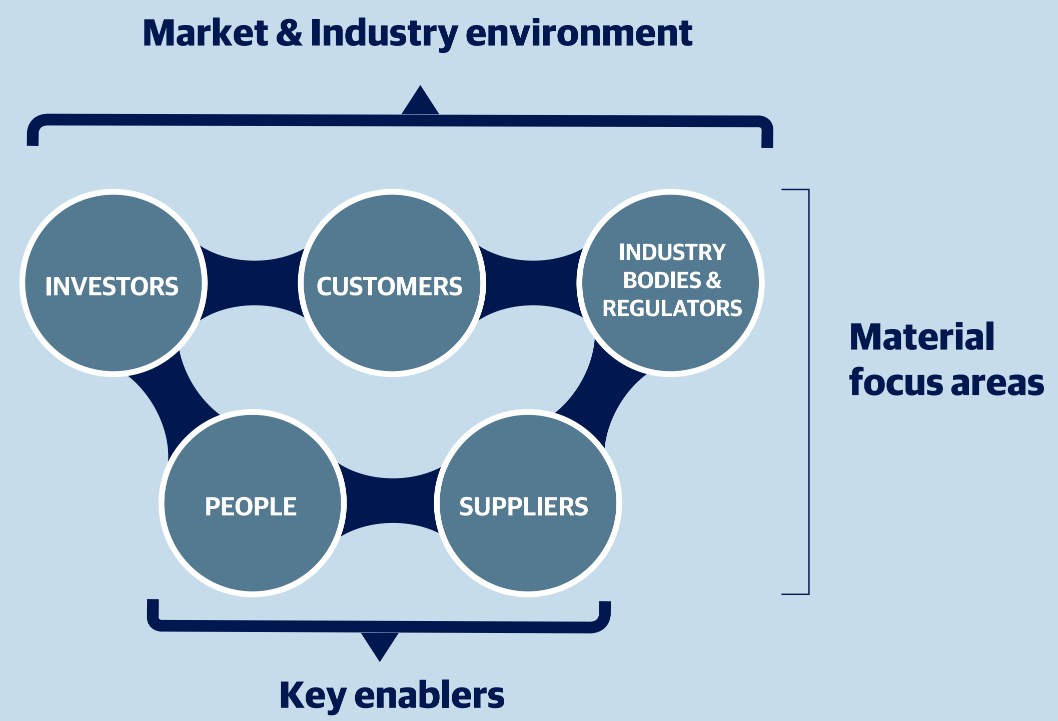
Our key strategic value drivers include;

Guiding value creation

STRATEGY

Our long-term strategy is to deliver our purpose of "***Improving people's lives by making their financial freedom possible***". To guide the achievement of this strategy we adopted the following **strategic value driver** model during 2018 and the strategic focus areas below.

Our Material Focus Areas

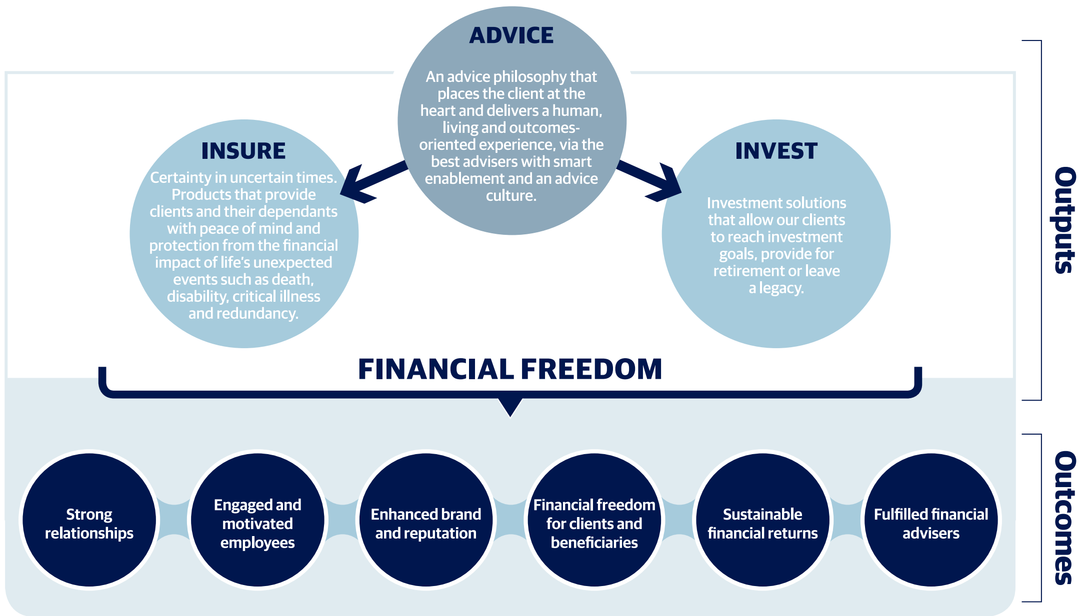


Liberty Life Assurance Uganda Limited has aligned itself with our overall group material focus areas which are split into;

- **Market and Industry environments:** These mainly include Investors, Customers, Industry bodies and Regulators,
- **Key enablers:** These include Our People and Suppliers

Each material focus area is composed of several smaller but important issues that are relevant to stakeholders. These issues are identified through ongoing stakeholder engagement facilitated by Liberty's stakeholder engagement unit and are aligned with Liberty's organizational philosophy, brand ethos, values and strategy. The frequency of engagement varies according to each stakeholder group and the issue at hand. Liberty is proactive in identifying and responding to its stakeholders' expectations, concerns and conflicts.

A centralized approach is used to engage investors, customers, employees, regulators, Suppliers and Communities. Liberty's customer-facing units undertake stakeholder engagement relevant to each of their areas and are responsible for identifying relevant stakeholder concerns and taking appropriate action.



In addition to the above, we have aligned our sustainability objectives with;

i. Investment in Education, learning and development: Launch of the soma plan education saver product and sponsorship of the Ahurire School for Orphans

ii. Building a skilled and technically competent human resource base to contribute to employment creation

iii. Support health and wellness through launch of products that cater for health care needs across different income brackets whilst ensuring the most comprehensive cover. We launched the Essential and Essential plus health insurance products in cognizance to the varying income brackets of our customers and also a product that puts in to consideration the needs of our customers.

iv. Supporting the Agriculture sector by Partnering with insurance companies to provide cover for Agricultural loans taken out by farmers.

v. We have also partnered with various bancassurance partners to develop suitable micro insurance products that are customer centric to promote financial inclusion for lower income Ugandans. We are currently

vi. Leveraging information technology to develop products and service solutions that are relevant to the market

vii. Monitoring economic dynamics to establish the extent to which they impact our own sustainability and that of our internal and external stakeholders.

viii. Enterprise Risk Management function is in place and on a day today basis monitors the ever evolving external and internal environment of the company; closely and timely reporting to the management team and the Board of Directors and its respective Board Committee meetings.

Our key stakeholders

We continually engage with our various stakeholders who are the drivers of our business. Below is a detailed discussion of how the various stakeholders impact on the value of the company and how relationships with them are managed;

Stakeholder group	How we engage	Stakeholder interests/issues	Our provided solutions
Investors	• We hold an Annual General Meeting (AGM) per year. • Annual audited Report and financial statements are presented to the shareholders at the AGM. • We have valuable information on our Company website and facebook page. • We have engaged a company secretary who is a link between management and the board of directors who also represent the various investors.	- Return on Equity - Dividends - Sustainable financial results - Good governance	- Total shareholder value has been growing year on year to Ushs11.3 billion in 2018. - Dividends declared and paid to shareholders during the year of Ushs5.02bn - The company made a profit during the year of Ushs0.48m. - We also participated in the corporate governance awards to shine light on our governance and close gaps to better our corporate governance
Customers	• Providing excellent customer service is at the core of our business • We have in place Relationship and business development managers to cater to our customer needs and provide a personal touch. • We have provided a suggestion box to collect valuable customer feedback in order to improve the way we serve them and cater to their needs.	- Products that meet their needs - Excellent Customer Service and value addition - Payment of claims within the given timelines stated in the policy and Service Level Agreements	- We offer a range of products supported by our excellent advice to help our customers make informed choices to achieve financial freedom. - We continuously develop innovative products that are suited to our customers' needs and supported by our excellent customer service e.g. Soma Plan and Essential and Essential Plus. - We have in place a customer appreciation week in which we appreciate our customers for their loyalty. - We access our customers through strong distribution

Stakeholder group	How we engage	Stakeholder interests/issues	Our provided solutions
			– Other methods of increasing our representation include strategic partnerships like with Sanlam General and the Agro Consortium to provide Agriculture related covers to our clients and Tugende and Wekume micro insurance products. – We have service level agreements in place against which we measure our performance on timely payment of claims and provision of quotations. – We are in the process of launching our financial literacy program to provide added value to our customers
Regulators and industry bodies	**Insurance Regulatory Authority (IRA):** – Formal meetings and workshops – Onsite visits and compliance inspections	– Compliance with applicable laws and regulations – Customer protection	– Monitoring of company compliance with the applicable laws and regulations. – Ensuring that all genuine claims to clients are paid
	Uganda Revenue Authority: – Payment of Taxes to URA – Workshops and conferences – Formal meetings – Onsite inspections and compliance audits.	– Compliance with the tax laws and regulations	– Payment of taxes and submission of tax returns within the stipulated timelines i.e. The 15th day of the following month – We engage our tax consultants EY to ensure that we are compliant with all the tax requirements.
	Uganda Insurers Association – Formal Meetings – Workshops and conferences – Annual General Meeting	– Payment of membership fees – Participation in industry activities	– We ardently participate in all scheduled industry activities – We have paid our membership fees in time – We have employees serving diligently on various committees
	Insurance Institute of Uganda – Formal meetings – Training workshops and conferences – Annual General meeting	– Payment of fees – Attendance of provided trainings	– We ardently participate in all scheduled industry activities – We have paid our membership fees in time – We have employees serving diligently on various committees

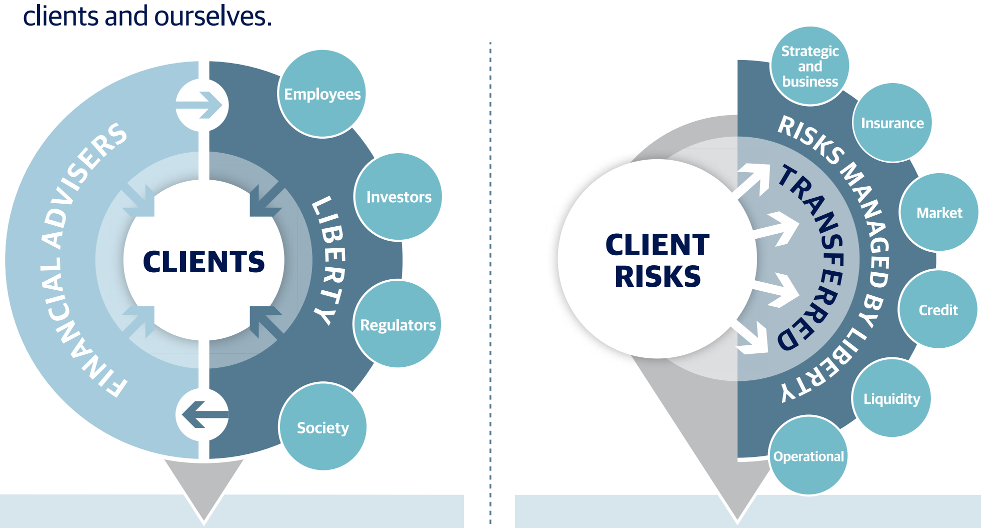
Stakeholder group	How we engage	Stakeholder interests/issues	Our provided solutions
Employees	- Staff meetings and discussions - Employee Engagement surveys - Team building events - Training programs and Workshops - Staff parties and other engagements	- Staff welfare - Staff Motivation - Performance evaluation - Education support	- Staff meetings are carried out every quarter and also as and when there is special communication to be made to staff. - The company provides medical cover on the Liberty medical scheme for all staff and also provides lunch to all staff. - The company provides education support to staff who are up skilling and pursuing professional qualifications that are relevant to their roles and also pays for membership subscriptions to professional bodies. - KPI sessions are carried out twice a year with a consultant to assist in handling the process for transparency and fairness. - The company provides staff wellness programs by participating in the cancer run and providing gym membership benefit to staff. - A team building event was held for all staff and retail agents. - Staff party was held for all our staff.
Suppliers of goods and services	- Regular supplier meetings where feedback is provided. - Monthly reconciliations with our Reinsurers	- Value addition that is mutually beneficial to both parties - Proper procurement procedures	- Competitive bidding as part of the procurement process is in place. - List of preferred suppliers in place.

Value Addition for Stakeholders

Liberty's approach to value creation is premised on the relationships we establish, build and sustain and our ability to manage a variety of risks for both clients and ourselves.

RELATIONSHIPS AND RISK TRANSFER

Liberty's approach to value creation is premised on the relationships we establish, build and sustain and our ability to manage a variety of risks for both clients and ourselves.



RELATIONSHIPS

The principal relationships in our business are between client, financial adviser and Liberty. A successful client/adviser relationship sees the client achieving financial freedom through advice and products that meet the client's needs. Liberty endeavours to empower the adviser to establish, build and sustain these relationships through product development, client and adviser service, and investment performance. Secondary relationships exist between Liberty and other stakeholders, including investors, employees, regulators and civil society.

RISK TRANSFER

The business of insurance is the assumption and spreading of risk to mitigate adverse financial consequences to clients. Liberty assumes risks transferred to it by clients and risks from being in business. Liberty's primary capability is to manage insurance risk and other risk types that may impact on the client or Liberty. Just as a client's risk appetite is assessed during the advice stage, the board adopts a risk appetite for Liberty itself. Managing the business within this accepted range is a key outcome of our risk processes.

Value creation activities

Proactive, ongoing stakeholder engagement is increasingly integrated into our business practices. We view stakeholder management as a risk mitigation function and, more importantly, one that seeks to create shared value for the broader society. We believe that for a company to be successful in creating shared value, it must acquire a deep understanding of the problems it is trying to solve and the customers it is hoping to serve. This understanding opens the door to a new way of engaging with stakeholders that leverages the power of an organization to solve societal issues.

Our stakeholder management framework guides us on how we engage with our stakeholders. Group stakeholder management ensures that the appropriate governance, including policies and procedures, is in place. This ensures that all stakeholder engagements across the group are aligned with Liberty's organisational philosophy, brand ethos, values, material focus areas and overall business strategy.

Value Added Statement

Value Added is measured by subtracting business and operating costs like claims costs, commission expense and Administrative expenses from Net insurance premium revenue. Net insurance premium revenue is derived by subtracting insurance premium ceded from the Insurance Premium revenue. The resulting amount is distributed to the stakeholders who include employees, Government, Shareholders, and Retention to support future business growth. The total wealth created in 2018 is shown in the value-added statement below;

Value Added Statement for the year ended 31st December 2018

Value Added	**2018 Ushs'000**	**% of wealth Created**	**2017 Ushs'000**	**% of wealth Created**
Net insurance premium revenue	21,236,188	62%	22,429,810	62%
Commission income	880,230	3%	1,644,356	5%
Insurance claims recovered from re-insurers	9,014,682	26%	9,838,134	27%
Change in policyholder liabilities (net of reinsurance)	1,607,761	5%	-	0%
Investment income	1,485,284	4%	2,206,349	6%
Other Income	69,566	0%	-	0%
Total income	**34,293,711**	**100%**	**36,118,649**	**100%**
Less:				
Commission expense	(5,075,566)	15%	(3,591,299)	12%
Claims and policyholders' benefits	(14,167,742)	41%	(14,547,495)	50%
Change in policyholder liabilities (net of reinsurance)	-	0%	(106,779)	0%
General marketing and administration expenses	(14,962,683)	44%	(10,650,545)	37%
Other income	-	0%	(13,846)	0%
Total Expenses	**(34,205,991)**	**100%**	**(28,909,964)**	**100%**
Wealth created	**87,720**		**7,208,685**	
Employees	3,050,743	26%	2,594,811	20%
Government	3,771,947	32%	5,627,166	43%
Shareholders - (dividends)	5,026,000	42%	4,960,260	38%
Retentions to support future business growth	(11,760,970)	-	(5,973,552)	-
	87,720		**7,208,685**	

Of the total wealth created in 2018, 26% of the wealth created amounting to Ushs 3.1 billion was distributed to employees as remuneration and benefits which increased from Ushs 2.6 billion in 2017. 32% of the wealth created amounting to Ushs 3.8 billion was distributed to the Ugandan government in form of taxes which reduced from Ushs5.62billion in 2017. 42% of the wealth created amounting to Ushs 5.03 billion was paid in dividends to shareholders both local and foreign which increased from Ushs 4.96 billion in 2017.

Value Created for Shareholders/ Investors

Liberty is committed to creating sustainable economic value to enable its long-term vision. Our shareholders entrust us with their capital and expect competitive returns and capital appreciation on their investment. Maximizing shareholder value is key to our sustainability. Liberty prioritises ongoing sustainability above short-term maximisation of profits. We are fully committed to generating competitive and sustainable value for our shareholders.

The Board of Directors and Exco and ensure that good corporate governance practices are exercised and that legal and compliance requirements are met which are reported on comprehensively to the Audit Risk and Compliance committee at the meetings held. The annual report and Annual General Meetings are also some of the ways in which contacts are maintained with the shareholders. Liberty made a profit after tax of Ushs 48 million for the year ended 31 December 2018 (2017: Ushs 5.19 billion). The Board approved a dividend payment for the year 2018.

Key Highlights

We currently have:

1,430,971 lives covered by Liberty.

1,385,746 credit life policies in force.

Liberty's retail products distributed through **>15 intermediaries, 45 agents** and **10 corporate agents.**

11,799 lives covered under medical

765 retail policies in force.

3 Agency offices

Key highlights

We paid:

Death and Disability claims of
Ushs873m
(increase of 78% from 2017)

Group credit life claims of
Ushs3.78billion
(increase of 1% from 2017)

Retail claims of
Ushs50m

Medical claims of
Ushs900m

Value Created for Clients

Value created for clients includes the objective advice of financial advisers, risk and guaranteed solutions that provide peace of mind for families, and investment and retirement products that allow individuals, families and companies to achieve their long-term savings goals.

Advice – Guiding you through life: As clients journey through their various life stages, their priorities and ambitions change. At Liberty, we're committed to helping our clients gain a better understanding of the risks they're likely to encounter on their life journey. This is why we provide cover suited to every stage of our clients' lives, should they become disabled, critically ill, retrenched or when they are no longer around.

Insure – Our promises fulfilled: In 2018 we were able to fulfil our promise to our clients to be there for them should they become disabled, critically ill, retrenched or when they are no longer around. We settled total claims to the tune of Ushs 5.6billion in 2018 (Ushs7.2billion in 2017) of which Deposit administration claims were Ushs50m in 2018 and 2billion in 2017. There was a growth in other claims of 8% compared to 2017.

Invest- Saving for your future: Significant effort and resources were applied to driving improved investment outcomes for clients. A clear focus on investment performance delivery was a key component of various initiatives implemented during the year. Cross franchise co-operation and challenge was enhanced providing a positive environment for STANLIB investment professionals to leverage the knowledge and insights across the investment platform. In 2018, our Soma plan Education Saver product invested in the STANLIB money market created sustainable value for our clients by providing returns on amounts invested. The fund value was Ushs 164M at end of December 2018.

Product development

Our business model is based on developing products that ultimately create financial freedom and peace of mind for our clients during unforeseen circumstances. We believe in forming strong partnerships and we have experience in creating solutions that work for and benefit our existing partners. We work together with our partners to understand their needs, and the needs of their customers, so that we can design appropriate solutions.

As a group of companies, Liberty offers and extensive market leading range of products and services to help customers build and protect long-term wealth. These include life, health related insurance, micro insurance related solutions, investment management and retirement income facilitation. Customers have flexible choices and the input of an experienced management team in Uganda leveraging off the Liberty Group capabilities and resources.

We continuously develop innovative products that are suited to our customers' needs and supported by our excellent customer service. We seek to empower our customers by providing exceptional and personalized risk and health products. We have currently launched the Essential and Essential Plus health products and the Soma Plan education saver product that our customers have embraced positively.

Our customers place their trust in us to fulfil our promises and prepare them for life's uncertainties. Customers purchase our products and services (after obtaining appropriate advice on their needs) to achieve their goals and manage life's uncertainties. We place our customers at the heart of our business decisions by, Understanding our customers' needs, strengthening our relationships with them, investing in innovation to meet their needs, and delivering excellent customer service.

New office location to serve our clients better. During the year we moved office to 99-101 Buganda Road to provide our clients with ***'Insurance's one stop shop"*** for Life, Health and General insurance solutions. The new offices are spacious and provide our clients with a better ambience and a one stop shop for their insurance needs that is closer to the city centre.

We access our customers through strong distribution channels that include intermediaries (Brokers), agents, affinity partners like Brac, Pride Microfinance and the bancassurance agreement we have with the Stanbic bank. We also have bancassurance partnerships with Centenary Bank, Finance Trust Bank, Housing Finance bank and Tropical bank in line with the bancassurance regulations passed in October 2017.

We have put in place as part of our strategy a customer appreciation week in which we appreciate our customers for their loyalty. During this week, we visit our customers, provide financial literacy training to them, provide wellness programs for their staff and offer loyalty awards for the customers that have been with us for the longest period. We also appreciate our existing customers and thank them for their continued business support. We also carried out wellness programs with Stanbic Bank and Uganda Breweries Limited during the year.

Our strategic partnerships also enable us to extend our reach to our customers. In a co-insurance partnership with Lion Assurance Company Limited (now Sanlam General Insurance Uganda Limited), we protect financial institutions and farmers against unforeseen losses caused by weather and other factors.

We have also partnered to provide micro insurance products like Boda insurance to our mutual customers.

We also split our business into segments that enable us provide risk, investment and health solutions to our customers based on their different needs. For example;

Retail department; This takes care of the development, marketing, distribution, servicing and administration of retail insurance, retail health and retail investment products to our customers.

Corporate department; that provides insurance, health and investment solutions to aggregations of individuals including corporates, affinity groupings and retirement funds across the country.

We have dedicated Business Development Managers that service these specific segments that also provide excellent customer service needed.

We have service level agreements in place against which we measure our performance on service delivery in payment of claims, provision of quotations, response to queries and other parameters so as to provide excellent customer service to our customers.

Liberty has in place a formal customer complaints handling and feedback process that ensures that customer complaints and complements are expeditiously followed up to conclusion. A customer complaints box has been installed at the Head office reception.

We also have a dedicated **help line** that is in place to receive customer queries and complaints. Our Front Office Manager is tasked with ensuring that valuable feedback is received from our clients by calling our clients and asking for feedback on our service and where there is room for improvement.

To improve accessibility to our products and services, Liberty has 3 agency offices in Kanjokya, Mbale and Kakira to increase our reach to the retail and corporate markets in the country and bring our services closer to our customers in these areas. We also currently have 45 direct sales agents and 10 corporate agents in force. We are targeting to grow our agency force to 150 in a bid to provide better services to our retail market.

Investing in Innovation to meet customer needs:

We understand that the needs of our customers continue to change, both as they move through their life stages and as existing technology evolves. By understanding our customers' needs, both current and future, and then investing in the necessary innovation to meet these needs, we are able to offer advice and develop solutions that are attractive, affordable and deliver on our promise of creating financial freedom.

At Liberty Group, our center for innovation and cross-collaboration drives internal and front-line solutions. We use cutting-edge technology and processes to develop creative solutions to real business challenges. Product development teams are in place at each Customer Facing Unit (CFU) to respond to the identified needs of our customers and potential customers. Besides developing new risk health and investment products, these teams maintain and enhance the existing portfolio. For example, investment product, **SOMA plan** and our health products **Essential and Essential Plus**, have all been developed on the back of customer and market feedback surrounding affordability.

During the year, we saw further engagement of our customers on our website and facebook page. This gives us real time feedback on how our stakeholders perceive our company operations. It also provides us with a medium of receiving customer complaints to which we provide real time solutions, compliments and interactions. The website is also used to provide information on key events including product launches and promotion campaigns.

Value Created for Suppliers

Liberty has a list of preferred suppliers in place and our procurement policies and guidelines are based on the principle of competitive bidding ensuring that the supplier offering the best terms as far as price, delivery times, and quality and where applicable after sales service is concerned is chosen. We purchase most of the goods and services from Ugandan SMEs who supply items that do not endanger the environment. This fosters the split of "Buy Uganda, Build Uganda" (BUBU) policy. 85% of our procurements during the year were done with local suppliers.

Value Created for Employees

Current employee wellbeing offerings

CAREER	BODY	EMOTIONAL	SOCIAL	FINANCIAL
Career assessments	Fitness centre	Mental wellness programmes	Diversity workshops	Financial needs analysis
Training programmes	Wellness practitioners	Trauma counselling	Employee volunteerism	Benefits assessments
Technical and behavioural training	Medical aid and chronic disease management	Wellbeing workshops and training	Team building	MindMyMoney
Leadership programmes	Health risk assessments	Awareness programmes	Team effectiveness workshops	Debt counselling
Development plans	Stress management		Celebration days	Financial freedom workshops
Learnerships and internships	Sports clubs			Staff Financial Advice Centre
Bursaries	Crèche			Tax consulting
Advanced development programme	Exercise programmes with fitness trackers			
	Health awareness programmes			

At Liberty, we recognize that a key enabler of a customer-centric culture across our organization is our human capital and the associated technologies. A critical success factor in becoming a customer-oriented organization is the alignment of our people strategy to our group business strategy. We recognize that our progress is only possible through the passion of our brand ambassadors – our people. We are committed to investing in the growth and development of our people to meet our customers' needs – now and into the future.

Our employee value proposition is aimed at creating a place to work where our people feel deeply connected with our purpose and our customers; where they are empowered and recognized for delivering against our strategic objectives; and have every opportunity to achieve their full potential. We are committed to investing in the growth and development of our people to meet the requirements of the business.

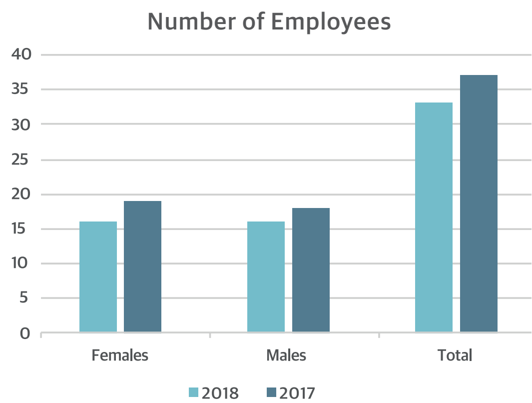
Organisational redesign

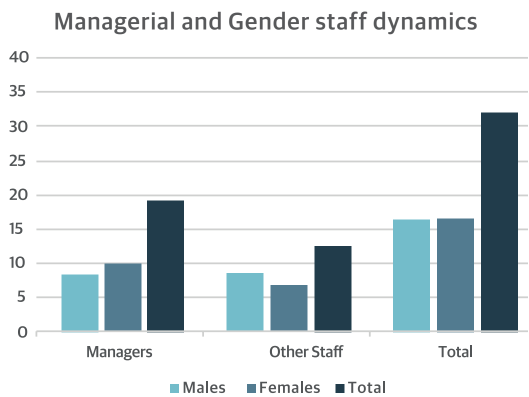
In 2018 our employees withstood the demands associated with a headcount freeze and the anxiety associated with the organizational redesign. The first challenge saw employees applying themselves to perform at even higher levels as overall employee numbers gradually fell, while the organisational redesign, which ultimately had an extremely small impact on jobs, only added to any insecurities employees may have had. With the organisational redesign being implemented, it is pleasing to say that both these challenges are now behind us. While we continue to strictly monitor new appointments, the outcome from the organisational redesign is an organisational structure, staffing levels andappointments best suited to deliver Liberty's purpose.

Staff Diversity

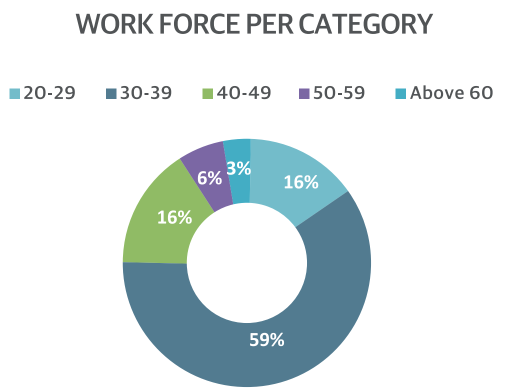
Our total salaried headcount reduced to 32 as at 31 December 2018 (2017: 37) of which 50% were female. We also had 6 temporary staff during the year of which 67% were female. Total staff costs during the year were Ushs 3.05 billion which is 17.5% up on Ushs 2.54 billion in 2017 since we had one staff retiring and 2 staff exited during the year.

The total number of commission remunerated agents was 45 and increased by 29% compared to 35 in 2017. Female employees also held 53% of the Managerial roles in 2018. (2017: 47%)



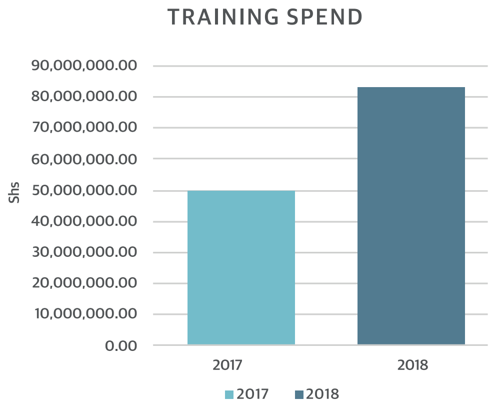


Below is a distribution of our work force per age categorization



Staff Training

Liberty is committed to continuously developing and up skilling our employees who are our greatest asset. Continuous technical and soft skills development of our staff is of utmost importance in ensuring the quality of services delivered to our esteemed stakeholders. The amount of spend on training during the year was Ushs 85 million compared to Ushs 50 million in 2017.



Liberty also provides training for fresh graduates and acts as a training ground by offering internship programmes for top performers.

Talent Management

Critical to the success of Liberty's growth are people, our greatest asset. The identification of highly talented professionals and potential successors for critical leadership roles across the group is key to maintaining Liberty's competitive position as an employer of choice in the insurance industry. Liberty has developed management development programmes that cater for staff at all levels of the business, and key talent programmes that cater for junior up to executive management levels. Our effort to develop talent bench strength and foster leadership capabilities adds not only to the skill sets within the organization, but helps us in striving toward our talent retention goals and improving our employee value proposition.

We will continue to harness key elements of our human capital value chain, talent acquisition and management to improve the reward and recognition of our people where it is due.

Employee Wellness

Staff remuneration is set at the beginning of the employment contract and reviewed annually based on performance and inflationary adjustments. This is aimed at having a well-motivated workforce while remaining cognizant of and tailoring rewards to performance. We have in place a defined staff contribution scheme that is independent of company operations, and is managed by Alexander Forbes Retirement Fund. All our staff and qualifying immediate family members are entitled to medical insurance cover at the cost of the company (2018: Ushs72 million, 2017: Ushs69 million) and lunch is provided at no cost to staff.

Staff Engagement and Communications

At Liberty, engagement with our employees takes place regularly across various channels. Some of the mechanisms employed include; Face-to-face interactions between employees and line managers, Employee whatsapp group, Liberty's corporate intranet, Internal 'Newsbreak' communication emails, Internal TV news network, staff Christmas party and staff team building events. The employee hand- book guides how employees are to conduct themselves and makes it clear what is expected of them.

The company implements an open – door policy that encourages interaction at all levels and at all times. Departmental meetings are held on a monthly basis while company-wide staff meetings are held at least quarterly. Staff KPI session and reviews are done half yearly. All these avenues provide an excellent working environment.

The board-approved code of ethics guides our actions and helps our stakeholders understand how we conduct business. The code was updated in 2015 and will be enhanced in 2018 to further align with the strategy revamp. Our employees and representatives are expected to act in a manner that inspires trust and confidence to grow and maintain our stakeholders' trust in us as their preferred financial services organisation. Our code of ethics ensures that we hold ourselves and our stakeholders to the highest standards of ethical behaviour and that Liberty upholds the law and does not tolerate fraud.

Health and Safety

We recognise that the overall well-being of our employees is key to creating an agile, high-performance culture, therefore taking care of our employees is a priority. We are responsible for the health, safety and security of all our employees, customers. Our Risk and Compliance department takes responsibility with a specific focus on physical security. We continually assess and invest in the security of our stakeholders through world-class technical and operational systems, process and procedures. To address these risks posed by security, we have a rigorous governance framework that includes:

- A global security framework
- A threat risk register
- A detailed risk management approach
- An incident management approach and operational educational guidelines
- Global safety and security operations centre
- Controlled access at our Company Head office

Our health and safety policy spells out the different policies and procedures that Liberty follows to ensure that we provide a healthy and safe working environment for its most important resource which is People. The Company premises are installed with fire-fighting equipment, smoke detectors, doors access control system, alarm system, security lights and are guarded throughout the day and emergency fire exits are well labeled and easily accessible. The office premises are also air conditioned to offer a good ambience to all stakeholders. All company safety equipment is regularly serviced and tested for reliability. A well-stocked first aid box is available for use in emergency cases.

We provide all staff and their immediate family members with the Liberty medical cover. We also maintain Group Personal Accident and Workman's Compensation insurance policies for all our staff. During the year, there were no reported accidents at the work place.

To keep its employees healthy and give an opportunity to Senior Management to meet and interact with people in order to make business connections, Liberty facilitates membership to gym clubs and Sports Clubs. We participated in the Insurance Industry Sports Gala organized by The Insurance Institute of Uganda and the Rotary Cancer Run.

Value created for Government and Regulatory Bodies

Managing business risk and behaving in an ethical manner that ensures compliance with both the form and substance of laws, regulations, codes and standards applicable to our business builds trust, enhances our reputation, cements our licence to operate and ultimately leads to value creation. We aim to enhance our reputation and build trust by doing the right business the right way.

Managing our capital levels not only promotes regulatory compliance but also facilitates business growth, encourages client confidence, and creates value for our shareholders and other stakeholders. Our capital risk measures are those regulatory requirements applicable to our industry.

Compliance with laws and regulations is non-negotiable. Any contravention comes at a cost in financial losses, fines or diminished reputational capital.

Material matters associated with our risk and conduct strategic value driver arise from all our stakeholder groups.

Compliance with applicable laws and regulations is of utmost importance to our operations. We paid all our statutory obligations to Uganda Revenue Authority (taxes), National Social Security Fund (statutory social security contributions), Kampala Capital City Authority (KCCA – for Local Service Tax).

We continued to do self-tax assessments and carried out a tax health check during the year that covered the above areas in order to determine the areas of non-compliance and close the identified gaps and exposures. We on a continuous basis engaged both URA and NSSF while sourcing for tax and social security contributions clearances that are needed while bidding for insurance services. All required clearances were duly obtained. The taxes paid during the year were to the tune of Ushs3.8billion (2017-Ushs5.6billion)

The Insurance Regulatory Authority of Uganda (Annual Membership and Deposit Annual Contribution), Uganda Insurers Association (Annual Membership) and the Insurance Institute of Uganda (Annual Membership and C.O.P fees for our agents and staff) on time.

The 2019 licence application was successfully submitted to IRA and all the necessary clearances were received from our stakeholders (Uganda RE, Insurance Institute of Uganda and the Uganda Insurers Association). All necessary returns to IRA were filed and communications from them adequately replied to.

Interactions with the Registrar of companies also happened throughout the year and these included filing of annual company return and registration of Board of Directors resolutions.

Value created for our communities

Liberty's long-term, sustainable value growth can only be achieved through the growth and success of the communities in which we operate. We are committed to strengthening these communities.

We are an organization that understands the value of knowledge and its power to change realities when set into action. This is why we have rolled up our sleeves in support of **education initiatives** and projects in our communities. Liberty Life Uganda sponsors the Ahurire school that also takes care of orphans. We have also launched the soma plan education saver product to aid parents in saving up for the education of their children thus contributing to the education of future generations.

In the budget for 2018/2019, the **agricultural sector** was allocated Ushs892.9bn which is 3.6% of the total resource envelope. One of the strategic thrusts of the Ugandan government is Commercialization of agriculture which seeks to address the country's development challenges. The agriculture, forestry and fishing sector grew by 3.8% same growth as registered in 2017/18. We protect financial institutions and farmers against unforeseen losses caused by weather and other factors in partnership with Sanlam General Insurance Uganda Limited.

Financial inclusion: Bank of Uganda urged banks and financial institutions to avail financial services to people usually left out of traditional banking services and thus in the same regard, Liberty partnered with Sanlam General Insurance Uganda Limited to provide Tugende and Wekume Boda insurance are also covers. The Product launched on 01 December 2014 targeting commercial motorcycle riders through their umbrella association Kampala Metropolitan Boda - Boda Association (KAMBA) and was extended to include Tugende Limited in 2015. During the year 2018, we continued to see growth in sales of this product as more boda boda riders embraced it

Liberty is one of the insurance companies that also provides **medical insurance cover** to our customers. We support **health and wellness** through launch of products that cater for health care needs across different income brackets whilst ensuring the most comprehensive cover. We currently provide medical insurance products Essential and Essential plus and Liberty Classic that cater to the different income brackets. We are in the final stages of launching the Essential and Essential plus health insurance products in cognizance to the varying income brackets of our customers and also a product that puts in to consideration the specific needs of our customers.

Financial Literacy: We are in the midst of launching our financial literacy program as a bid to provide added value to our customers and the communities in which we operate as part of our Corporate Social Responsibility. This is a much needed gap that we have identified and believe that will provide a better operating environment and also benefit the community.

Environmental Impact

Liberty is committed to managing those areas of our business that directly impact the environment to protect valuable resources. We believe that the environment in which we operate is important and strive to practice responsible growth by preservation of our immediate operating environment. We recognize that in order to operate a sustainable business that delivers shared value, we must measure value beyond the financial parameters.

As a company, our contribution to responsible business activities included and is not limited to;

Paper Consumption.

At Liberty, we are managing paper consumption by promoting responsible Printing by reducing the usage of paper and toner. All board members, staff and agents are encouraged to use their ipads and computers instead of printed paper to achieve this objective and mind the environmental impact. We have also invested in a printing software that monitors paper usage. Due to the above policies put in place, in 2018 our printing and stationery costs were amounting to **Ushs 89million down from Ushs 142million in 2017**, a 37% reduction. **We used 8kgs of paper in 2018 compared to 10kg in 2017.**

In the coming year we will continue our ongoing focus to promote responsible printing reduce paper usage and commit to have a paperless office by automating our rewarding employees that champion this cause.

Energy Saving;

Electricity is the major source of energy at Liberty and our power consumption comes from mainly Lights, Air Conditioners, Printers, computers and IT servers. We continue to promote power saving by use of energy saving equipment and energy saving bulbs across all our branches. In 2018 our energy consumption was **72,228 units up by 39% from 52,069 units in 2017** due to an increase in temporary staff numbers and opening of a new branch.

Water Management

Total water consumption at Liberty was up **by 43% to 366 units in 2018 from 255 units in 2017** due to increase in the temporary staff numbers and opening of a new branch. Water consumption includes usage in kitchens and toilets.

Waste Management:

In order to fulfill our objective of proper waste management, we make use of waste management companies to dispose of both our office and sanitary waste.

Our waste management process involves dealing with the waste generated from day to day operational activities, food consumption, wear and tear of computer and office equipment, obsolete furniture and fixture and newspapers.

During the year, Liberty participated in various **CSR projects** (refer to our CSR report).

Investing In Your Future

SO, YOU'VE DONE THE HARD PART. YOU'VE TACKLED YOUR DEBT, CUT YOUR COSTS AND MANAGED TO SAVE SOME MONEY. NOW WHAT?

IT'S TIME TO INVEST.

Risk Management and Control Report

Liberty Head of Risk and Compliance, Frank Balabyeki

The business of insurance is the assumption and spreading of risk to **mitigate** adverse financial consequences for both policyholders and shareholders. Accepting and managing risks within an appropriate risk appetite is the key element of our value creation journey.

Risk strategy

At Liberty Life Assurance Uganda Limited, our main objective is to provide value to all stakeholders through a long-term sustainable real return on capital as a result of taking business risks within an appropriate risk framework.

The Company's main activity from a risk taking perspective is to provide long term insurance risk cover to individual, corporate and group schemes. The Company's core competency is to understand the life and long term insurance risk needs of individuals and design sustainable products that provide financial security to policyholders and their families in times of sickness, death and disability.

The key elements of risk management are:

- Maintaining sufficient economic capital and liquidity to withstand most risk events;
- Understanding the significant economic and non-economic variables in product design;
- Strong corporate governance including relevant and reliable management information and internal control processes;
- Ensuring significant and relevant skills and services are available consistently to the Company;
- Influencing the business environment by being active participants in the relevant regulatory and business forums;
- Keeping abreast of technology and consumer trends and investing capital and resources where required; and
- Establishing an appropriate risk framework of authority that management with the risk parameters acceptable to the board of directors.

One of our key risk management objectives is to continue to develop, implement and entrench a sustainable risk ethic and philosophy throughout the organisation.

Risk management is performed by the Company's management under the oversight of the Board. The risk management principles and policies applied are consistent with those applied in the wider Liberty Group as approved by the Liberty Holdings (South Africa) Group Risk Committee (GRC), and the Group Audit and Actuarial Committee (GAAC).

Liberty's approach to risk management places consideration of risk as a focal point in business activities. It enables the business to make informed risk-based decisions and manage expected returns by selecting the risks it is willing to assume.

Liberty's risk strategy is integrally linked to the business strategy, with risk mitigating actions designed to improve the prospects of achieving the business goals.

> Liberty's risk philosophy is to ensure sustainable growth of its business, by encouraging profitable risk-taking while operating within its approved risk appetite

Liberty's risk preferences

- Risks that the group actively seeks as a result of being in the business of underwriting and managing risks – all of which are viewed as **value-enhancing**
- Risks that are not actively sought but arise as a consequence of being in business and which are managed to an acceptable level to **protect value**

Risk environment

Liberty's significant risk categories are strategic and business, insurance, market, credit, liquidity and operational. Management continues to drive actions to enhance the control environment and the value of new business as well as to deal with the risks the business is facing.

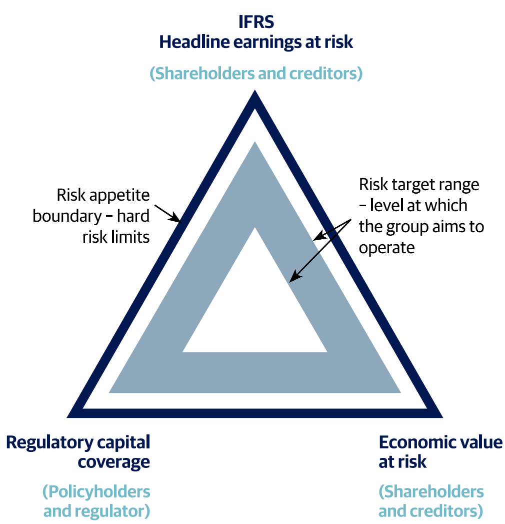
The economic risks from a global perspective coupled with the challenging political and socio-economic climate in South Africa have led to a difficult business environment.

It is acknowledged that the many changes being driven at Liberty, in a complex environment, are placing pressure on key people which is compounded by an increasingly tough external environment. The constantly evolving regulatory landscape also requires significant policy and procedural shifts within the organisation.

Risk appetite

The Company's strategic plans are subject to a trade-off between risk and reward, considering the risk appetite and risk targets approved by the board. The Company risk appetite contains statements which express the quantitative limits for measurable risks that can be taken by the business as well as qualitative definitive constraints on acceptable and unacceptable behaviour in pursuit of business objectives. The setting of the level of risk appetite is based on stakeholder input and driven by the requirement to deliver high levels of financial security for clients through appropriate maintenance of the Company's ongoing solvency. The dual and, at times, conflicting objectives of creating shareholders' equity and minimising risks are controlled through these limits.

The Company's risk appetite statement is regularly reviewed to ensure its appropriateness to business objectives.



The Company's qualitative risk appetite statement provides boundaries on what is acceptable and unacceptable in pursuit of business goals as it relates to conduct and reputation.

Reputation	Conduct
We will not deliberately and knowingly engage in any business, activity or relationship which, in the absence of any mitigating actions, could result in reputational damage to Liberty today and into the future. We proactively protect and uplift the Liberty brand in all our interactions.	We place the client at the heart of everything we do and operate in a manner where fair play and ethical behaviour underpin all our business activities and relationships. We have no appetite for deliberately and knowingly breaching legislative, regulatory and internal policy requirements.

Risk identification, assessment and measurement

Risk identification and assessment provide a link between the ongoing operational management of risk and longer-term business goals and strategies. Current and emerging risks that could threaten the business model, strategy and sustainability are identified and assessed through a topdown process. In addition, risks identified through the business unit strategic planning processes provide a bottom-up view. Other regular risk identification exercises are conducted at an initiative/project, process or product level.

Staff and managers perform an assessment of all risks faced on a subjective and qualitative basis considering the adequacy and effectiveness of controls that have been implemented. Risk events are rated on an expert judgement basis to allow for them to be prioritised for action, reporting or escalation. To enable group-wide aggregation and ranking of risks, risks identified are also categorised using a standardised approach.

Risk measurement is performed to enable the understanding, monitoring, management and reporting of risk. The business performs regular and robust risk quantifications to measure the risk profile at an aggregate level, per legal entity, per business unit and at a material risk type level to ensure that the business is being managed within risk limits and risk appetite and close to the risk target range. Both the current and expected future levels of risk are measured under base and stressed scenarios. The measurement of risk is particularly important where risk is actively being taken to generate returns.

Top Risks

Top risks are elevated, material risks that may materialise within a relatively short time frame and that are currently on the minds of the board of directors and executives.

Emerging Risks

Emerging risks are trends or conditions that could significantly impact the institution's financial strength, competitive position or reputation in the longer term (> five years). These involve a high degree of uncertainty and generally present opportunities as well as risks.

Combined assurance

Combined assurance is the adoption of a co-ordinated approach to attaining assurance on the management of risk. Combined assurance is built on the adoption of a robust risk management process, in Liberty's case the enterprise risk management (ERM) process and the three lines of defence risk governance model. Combined assurance provides the board with comfort that the ERM and risk governance model are operating efficiently and effectively to manage risk within Liberty.

Liberty's combined assurance model is aligned to the roles and responsibilities as articulated in the three lines of defence risk governance model. There is regular communication between business unit management, heads of control functions as well as independent assurance providers, including internal and external audit.

Assurance on the management of the key risks is provided to the board on a regular basis, through the above assurance functions.

Enterprise-wide risk management (ERM)

The company offers a comprehensive range of financial products and services to both the individual and corporate markets, distributing tailored risk and insurance products. It is through the prudent taking and management of the risks inherent in the production, distribution and maintenance of these products and services that the business generates returns to shareholders.

Solvency risk is considered to be of primary importance, even though it arises from risk events that occur in other risk classes defined in the company's risk taxonomy, and is therefore considered to be a "consequential" risk.

It is defined as the risk that the company does not have sufficient assets to cover its liabilities and capital requirements.

The Company's approach to ERM therefore has as its objective the managing of solvency risk whilst earning sustainable, acceptable returns for its stakeholders.

This framework includes the following components:

- Governance and clearly defined roles and responsibilities;
- Risk appetite and capital management to shape and support risk in the business;
- A risk taxonomy to define risks inherent in the group's businesses; and
- Frameworks and supporting processes to manage each risk class.

Capital management

Introduction

As explained above, capital adequacy is a key component in the Company's ERM, to:

- Support its risk taking activities.
- Protect policyholders and clients by ensuring adequate assets are available to meet their entitlements.
- Fund working capital and strategic requirements.
- Maintain its operating life licences.

The amount of capital the Company holds is an important measure used by the Industry Regulator and the market to assess the financial strength of the Company. Essentially capital management focuses on the capital needed, based on the Company's risk appetite, and how that capital is funded. The funding allocation impacts the Company's cost of capital.

The regulatory Capital Adequacy Requirement (CAR) is calculated in accordance with the Uganda Insurance Industry and standard of actuarial practice note 104 (SAP 104: calculation of the value of the assets, liabilities and capital adequacy requirement of long term insurers issued by the actuarial society of South Africa ASSA.) They are required to be the greater of the Termination Capital Adequacy Requirement (TCAR) and the Ordinary Capital Adequacy Requirement (OCAR).

The TCAR examines a highly selective scenario in which all policies, with surrender values greater than the policy liability, terminate immediately (similar to a run-on-the-bank scenario). The OCAR is a risk based measure calculated based on a number of market and insurance risk stress tests, which together with compulsory margins are intended to provide approximately a 95% confidence level over the long term that the insurer will be able to meet all its obligations.

COMPLIANCE

The risk of regulatory sanctions, financial loss or damage to reputation as a result of not complying with legislation, regulation or internal policies is managed through the established compliance functions within the Company and a compliance policy. The policy ensures that compliance requirements are identified and implemented through the development of appropriate policies and procedures and that regular monitoring and reporting of breaches is carried out by the businesses and at the centre to provide the board with assurance on the status of compliance within the organisation.

Regulatory risk: The regulatory environment is monitored closely to ensure that the Company implements new or amended legislation requirements promptly to ensure compliance and avoid unnecessary fines and penalties or the revocation of our licence.

A periodic review of the effectiveness of the Company's risk management and internal control systems is done through continued monitoring and assessment such as by the Group Internal audit team to ensure that the controls are adequately operating for the success of the organisation.

Ethics programme

We aim to enhance our reputation and build trust by doing the right business the right way.

Managing business risk and behaving in an ethical manner that ensures compliance with both the form and substance of laws, regulations, codes and standards applicable to our business builds trust, enhances our reputation, cements our licence to operate and ultimately leads to value creation.

Liberty seeks to create and maintain a consistent culture of ethical behaviour that enables employees and leadership to make responsible business decisions. During the reporting year, we developed an updated ethics management strategy, focused on strategic priorities including governance and management structures and ethics management. We articulated our intent and objectives in each of the priority areas identified. Our current code remains in place and outlines our expectations. It requires employees and representatives to act in a manner that inspires trust and confidence in our brand.

Planning for the Future

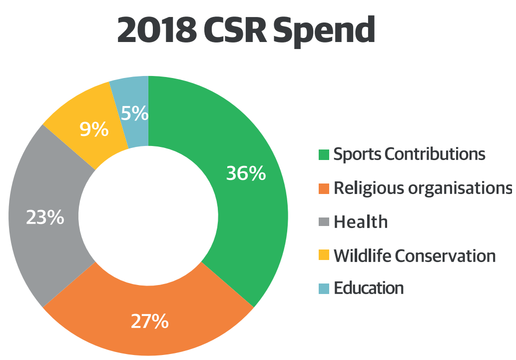
SECURING YOUR DREAMS AND GOALS BEGINS WITH SAVING.

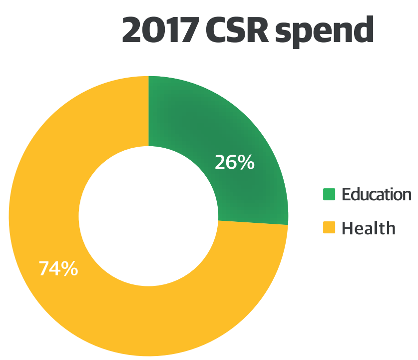
Corporate Social Responsibility (CSR) Report

Liberty's long-term, sustainable value growth can only be achieved through the growth and success of the **communities** in which we operate. We are committed to strengthening these communities and playing a meaningful role in society.

During the year, the Company focused streamlining and consolidating CSR activities to ensure a coherent approach that is aligned to the business objectives and relevant to the communities in which we operate.

We undertook more comprehensive CSR activities in 2018 across various sectors as demonstrated below. The total CSR spend for 2018 was Shs 22M representing a 340% increase from the prior year 2017 Spend of shs 5M.





The key objectives and rationale for the year's CSR activities were;

- To address specific educational shortfalls and to create opportunities for future employment and a thriving economy;
- To contribute towards achievement of improved health care for less disadvantaged persons;
- Contribution towards wildlife conservation as part of the overall environmental conservation strategy; and
- Support towards the development of sports

i) Contribution to education

Education is the corner stone of economic development and a means of empowering communities, as well as reducing inequality and poverty.

LLAU contributed to the above by donating to a non-profit organization, Cure Children's Hospital towards the education of the disadvantaged children under their custody.

The amount donated was used to acquire scholastic materials for the children thus enabling them to successfully continue with their studies.

ii) Health

a) Blood Donation

Uganda continues to face shortage of blood in hospitals mainly due to low blood donation levels countrywide. This has resulted into an unfortunate loss of lives that could otherwise be saved with availability of safe blood.

The Company partnered with Uganda Blood Transfusion Services (UBTS) in blood donation campaign majorly aimed at collecting blood to save lives especially those of pregnant women who experience complications during child birth so as to reduce infant morbidity and mortality rates.

b) Participation in the rotary cancer run

The Rotary family in Uganda held their 2018 Cancer run under the theme, 'Keep Running' so as to foster the need to be fit and healthy. The Company contributed towards this noble cause by donating and having the staff participate in the run, so as to contribute towards achieving excellent medical care for persons affected by cancer.

c) Participation in the MTN Kampala Marathon

The cause for the MTN Kampala marathon 2018 was improving maternal health in Uganda. This was through ensuring safe childbirth for expectant mothers regardless of their means or where they come from. The Company contributed towards this noble cause by donating and having the staff participate in the run.

iv) Wildlife conservation

The Company during the year donated to the Uganda Society for Protection and Care for Animals to support wildlife conservation as part of the overall environmental protection strategy.

v) Sports Contribution

The Company partnered with Uganda Golf club and various sponsors and donated towards the sponsorship of the inaugural Kitante Golf open. As Liberty Uganda, we were glad and excited to be a part of history when the Inaugural Kitante Golf Open teed off.

As a brand, we were associated with supporting the growth of golf in Uganda, supporting grass roots and growth in the game.

Liberty Life Assurance Uganda Limited

Annual Report and Financial statements

For the year ended 31 December 2018

Annual Report

Financial Statements

Directors' report

The directors of Liberty Life Assurance Uganda Limited ("the Company") have pleasure in presenting their report together with audited annual financial statements of the Company for the year ended 31 December 2018.

1. General review

The Company's main business is Long Term Insurance, Health and Group Risk Insurance services. The Company commenced business in April 2007 and is licensed by the Insurance Regulatory Authority of Uganda to carry on its business.

2. Financial results

The annual report and financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Ugandan Companies Act and the Ugandan Insurance Act. The accounting policies have been applied in consistency with those applied in prior years.

The results of the Company for the year are set out on page 105 to 160 of the financial statements.

3. Share capital

Under section 6 of the Ugandan Insurance Act, the Company is required to have a minimum paid up capital of three billion Uganda Shillings in the case of a Life (long-term) Insurance business. The issued share capital as at 31 December 2018 was Ushs 3 billion (2017: Ushs 3 billion).

4. Dividends

During the year, the board of directors approved and paid an interim dividend of Ushs 5,026 million (2017: Ushs 4,960 million).

5. Holding company

The Company is 51% owned by Liberty Holdings Limited (South Africa).

6. Auditor

The Company's auditor, PricewaterhouseCoopers Certified Public Accountants, is not eligible for re-appointment in accordance with Section 108 of the Ugandan Insurance Act pursuant to mandatory rotation of auditors after four years.

7. Directors

The directors that held office as at 31 December 2018 have been listed on 4.

8. Approval of financial statements

The financial statements were approved at the Board of directors meeting held on 31 May 2019

By order of the Board.

Chairman
31 May 2019

Statement of directors' responsibilities

The Ugandan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and in the manner required by the Ugandan Insurance Act and the Ugandan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit in accordance with International Financial Reporting Standards, the Ugandan Insurance Act and the Ugandan Companies Act. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors have assessed the Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The financial statements, as indicated above, were approved by the board of directors on 31 May 2019 and were signed on its behalf by:

Director

Director

Report of the Independent Auditor to the Members of Liberty Life Assurance Uganda Limited

Report on the audit of the financial statements

Our opinion

In our opinion, Liberty Life Assurance Uganda Limited's financial statements give a true and fair view of the state of the financial affairs of the Company as at 31 December 2018, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and are prepared in the manner required by the Ugandan Companies Act and the Ugandan Insurance Act.

What we have audited

The financial statements of Liberty Life Assurance Uganda Limited set out on page 99 to 160 comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

The key audit matter described below is that which, in our professional judgment, is of most significance in our audit of the financial statements of the company for the year ended 31 December 2018. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and as such we do not provide a separate opinion on the matter.

Key audit matter	How our audit addressed the key audit matter
Valuation of the policyholder liabilities As set out in note 7 of the accompanying financial statements, the Company's gross policyholder liability at 31 December 2018 amounted to Shs 8,148 million (2017: Shs 13,095 million) and its policyholder liability net of related reinsurers' share of insurance contract liabilities amounted to Shs 5,463 million (2017: Shs 7,071 million). We considered the valuation of the Company's policyholder liability as a key audit matter primarily because the policyholder liability is the Company's single largest liability – with the gross policyholder liability representing 40% of the Company's gross liabilities at 31 December 2018 whereas its policyholder liabilities net of related reinsurers' share of insurance contract liabilities is equivalent to 138% of the Company's retained earnings. A significant increase in the Company's policyholder liability would result in a significant reduction in its profits and retained earnings. Additionally, the derivation of the Company's policyholder liability requires management to use estimates and apply judgment in determining key variables incorporated in the actuarial model for computing this liability. Some of the key variables considered in determining the Company's policyholder liability include the Company's claims experience, mortality and morbidity of policyholders, future expenses relating to existing insurance policies, and investment returns and discount rates related to the Company's investments.	As a response to the risk that the value of the Company's policyholder liabilities may be misstated, we performed the audit procedures set out below: • we obtained and then reviewed the actuarial report prepared by the Company's actuary specifically focusing on the reasonableness of the assumptions applied in deriving the policyholder liability. Under this procedure, we also checked the reasonableness of the assumptions used by comparing those assumptions with our expectations based on our knowledge of the Company's financial performance thus far and referencing those assumptions to available industry data. • we checked the reasonableness of the data used by the Company's actuary by tracing that data to the amounts disclosed in the financial statements. • we tested key information technology general controls related to the financial reporting process in respect of the claims, commissions, and expenditure referred to above. • we selected a sample of insurance contracts and, to the extent applicable, agreed those contracts to the basis applied in determining the claims, commissions and expenditure referred to above.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and are prepared in the manner required by the Ugandan Companies Act and the Ugandan Insurance Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

The Ugandan Companies Act and Uganda Insurance Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Certified Public Accountants
Kampala
7 June 2019

CPA Cedric Mpobusingye

Statement of financial position

	Note	2018 Ushs'000	2017 Restated Ushs'000	1 January 2017 Restated Ushs'000
Assets				
Property, plant and equipment	2	**602,121**	562,205	599,327
Intangible assets	3	**85,302**	191,781	244,629
Deferred income tax assets	21	**2,216,009**	2,043,054	1,892,455
Financial instruments	4	**15,241,541**	17,577,577	20,205,919
Prepayments, insurance and other receivables	5	**7,784,150**	12,219,153	17,736,038
Amounts due from related parties	22	**-**	246,472	317,352
Cash and short term deposits	6	**4,373,422**	3,384,915	4,373,932
Statutory security deposit	6	**486,809**	455,238	395,042
Unit Trust Investments		**164,097**	-	-
Current income tax receivable	20	**391,626**	-	-
Total Assets		**31,345,077**	**36,680,395**	**45,764,694**
Liabilities				
Policyholders' liabilities		**8,148,104**	13,095,011	13,535,664
Insurance contracts	7	**7,976,537**	12,886,499	11,646,760
Investment linked contracts (excluding discretionary participation features (DPF)	7,9	**171,567**	-	-
Investment contracts with discretionary participation features (DPF)	7	**-**	208,512	1,888,904
Employee benefits	8	**70,493**	340,000	480,161
Insurance and other payables	9	**5,610,855**	4,496,523	14,752,558
Amounts due to related parties	22	**6,141,681**	1,596,279	656,833
Current tax payable	20	**-**	800,456	213,832
Total Liabilities		**19,971,133**	**20,328,269**	**29,639,048**
Equity				
Ordinary shareholders' interests				
Share capital	10	**3,000,000**	3,000,000	3,000,000
Capital reserve	11	**1,188,596**	1,186,195	926,858
Contingency reserve	11	**4,172,134**	3,816,037	3,440,356
Retained earnings		**3,013,214**	8,349,894	8,758,432
Total Equity		**11,373,944**	**16,352,126**	**16,125,646**
Total Equity and Liabilities		**31,345,077**	**36,680,395**	**45,764,694**

The financial statements were approved for issue by the Board of Directors on 31 May 2019 and signed on its behalf by:

Director

Director

Statement of comprehensive income

	Note	2018 Ushs'000	2017 Ushs'000
Revenue			
Insurance premium revenue		**35,609,656**	37,568,103
Reinsurance premiums ceded		**(14,373,468**	(15,138,293
Net insurance premium revenue	13	**21,236,188**	22,429,810
Investment income	14	**1,485,284**	2,206,349
Other income/ (expense)	15	**69,566**	(13,846
Total income		**22,791,038**	24,622,313
Claims and policyholders' benefits	16	**(14,167,742**	(14,547,495
Insurance claims recovered from re-insurers	16	**9,014,682**	9,838,134
Change in policyholder liabilities (net of reinsurance)		**1,607,761**	(106,779
Commission expense		**(5,075,566**	(3,591,299
Commission income		**880,230**	1,644,356
General marketing and administration expenses	17	**(14,962,683**	(10,650,545
Profit before income tax		**87,720**	7,208,685
Income tax expense	20	**(39,691**	(2,021,945
Profit for the year		**48,029**	5,186,740
Other comprehensive income		**-**	-
Total comprehensive income for the year		**48,029**	5,186,740

Statement of changes in equity

	Note	Share Capital Ushs'000	Capital reserve Ushs'000	Contingency reserve Ushs'000	Retained earnings Ushs'000	Total equity Ushs'000
Year ended 31 December 2017						
At start of year		3,000,000	968,602	3,440,356	9,551,202	16,960,160
Correction of error (net of tax)	1.18	-	(41,744)	-	(792,770)	(834,514)
Restated equity at the start of the year		3,000,000	926,858	3,440,356	8,758,432	16,125,646
Comprehensive income:						
Profit for the year (Restated)		-	-	-	5,186,740	5,186,740
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	5,186,740	5,186,740
Transaction with owners:						
Transfer to capital reserve	11	-	259,337	-	(259,337)	-
Transfer to contingency reserve	11	-	-	375,681	(375,681)	-
Dividends paid		-	-	-	(4,960,260)	(4,960,260)
Transactions with Owners		-	259,337	375,681	(5,595,278)	(4,960,260)
At end of year		**3,000,000**	**1,186,195**	**3,816,037**	**8,349,894**	**16,352,126**
Year ended 31 December 2018						
Balance as at 31 December 2017 as originally presented		3,000,000	1,277,302	3,816,037	10,080,559	18,173,898
Correction of error (net of tax)	1.18	-	(91,107)	-	(1,730,665)	(1,821,772)
Restated total equity as at 1 January 2018		**3,000,000**	**1,188,596**	**3,816,037**	**8,349,894**	**16,352,126**
Comprehensive income:						
Profit for the year		-	-	-	48,029	48,029
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	48,029	48,029
Transaction with owners: Transfer to capital reserve	11	-	2,401	-	(2,401)	-
Transfer to contingency reserve	11	-	-	356,097	(356,097)	-
Dividends paid		-	-	-	(5,026,211)	(5,026,211)
Transactions with Owners		-	2,401	356,097	(5,384,709)	(5,026,211)
At end of year		**3,000,000**	**1,188,596**	**4,172,134**	**3,013,214**	**11,373,944**

Statement of cash flows

	Note	2018 Ushs'000	2017 Restated Ushs'000
Cash flows from operating activities			
Cash receipts from policyholders		**33,602,425**	43,434,925
Cash paid to policyholders, intermediaries, suppliers and employees		**(29,613 ,608)**	(42,264,043)
Cash generated from operations	19	**3,988,817**	1,170,882
Interest received		**1,485,284**	2,206,349
Income tax paid	20	**(1,404,728)**	(1,585,920)
Net cash from operating activities		**4,069,373**	1,791,311
Cash flows from investing activities			
Purchase of property, plant and equipment	2	**(195,024)**	(95,908)
Financial assets at fair value through profit or loss		**2,172,120**	2,336,036
Net cash from investing activities		**1,976,916**	2,240,128
Cash flows from financing activities			
Dividends paid		**(5,026,211)**	(4,960,260)
Total cash movement for the year		**1,020,078**	(928,821)
Cash at start of year		**3,840,153**	4,768,974
Total cash at end of year	6	**4,860,231**	3,840,153

Notes

General information

The Company is incorporated in Uganda under the Ugandan Companies Act as a private limited liability company, and is domiciled in Uganda. The address of its registered office is:

Liberty Life Assurance Uganda Limited
2nd Floor, Madhvani Building
Plot 99-101, Buganda Road
P. O. Box 22938
Kampala, Uganda

For the Ugandan Companies Act reporting purposes, the balance sheet and the profit and loss account are represented by the statement of financial position and the statement of comprehensive income respectively in these financial statements.

Summary of significant accounting policies statement of compliance

1. Basis of preparation

2018 financial statements of Liberty Life Assurance Uganda Limited have been prepared in accordance with International Financial Reporting Standards (IFRS).

All amounts are shown in Uganda Shillings rounded off to the nearest thousand (Ushs'000), unless otherwise stated. The comparative figures represent amounts in respect of the year ended 31 December 2017.

IFRS comprise International Financial Reporting Standards, International Accounting Standards and Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB).

The financial statements have been prepared in compliance with the applicable standards and interpretations for year-ends commencing on or after 1 January 2018 and has been consistently applied to all periods presented unless otherwise stated. The financial statements have been prepared on a historical cost basis, except for financial assets that are carried at fair value and policyholder insurance contract liabilities which are measured as set out in the accounting policies.

1.1. New and amended Standards and Interpretations

(i) New and amended standards adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have been applied in preparing these financial statements. These standards are set out as below;

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Company did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

The effect of adopting IFRS 9 has been disclosed in note 1.6 of these financial statements.

IFRS 15, 'Revenue from contracts with customers' supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Company did not apply any of the other available optional practical expedients.

The application of this standard has not resulted in any impact on the financial performance or financial position of the Company.

IFRIC 22 titled Foreign Currency Transactions and Advance Consideration

The Interpretation, applicable to annual periods beginning on or after 1 January 2018 addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Company's financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

The Company's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Company has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Company's financial statements.

(i) New standards and applications not yet adopted by the company

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contract

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments do not have significant impact to the Company.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

This election is made separately for each investment entity associate or joint venture, at the later of the date on which:

a) the investment entity associate or joint venture is initially recognised;
b) the associate or joint venture becomes an investment entity; and
c) the investment entity associate or joint venture first becomes a parent

These amendments do not have any impact on the Company's financial statements.

IFRS 16,'Leases' After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liability at the present value of future lease payments. A lessee measures lease asset, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property and equipment.

This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard is effective for annual periods beginning 1 January 2019. Early adoption is permitted only if IFRS 15 is adopted at the same time.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation and modification of financial liabilities.

The narrow-scope amendment covers two issues:

- The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities.
- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

Amendments to IAS 28 Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The directors are currently assessing the impact this will have on the Company's financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will not have any impact on the Company's financial statements.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments are currently not applicable to the Company but may apply to future transactions.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. This amend will apply to future borrowings since the Company currently has not transactions of this nature.

1.2. Property, plant and equipment

Equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

Maintenance and repairs, which neither add to the value of assets nor appreciably prolong their useful lives, are recognised in the profit and loss account. Gains or losses on disposals are included within general marketing and administration expenses in the profit and loss account.

Depreciation

Depreciation is recognised in the statement of comprehensive income on the straight-line basis at rates appropriate to the expected useful lives of the assets. Depreciation is calculated on the cost less any impairment and expected residual value. The estimated useful lives applied are as follows:

Item	Average useful life
Fixtures, furniture and fittings	8 years
Motor vehicles	5 years
Office equipment and office machines	8 years
Computer equipment	5 years

There has been no change in useful lives from those applied in the previous year. The residual values and useful lives are reassessed on an annual basis.

1.3. Intangible assets

Software intangible

Software intangible is recognised in accordance with the requirements of IAS 38.

Customer relationships and contracts

Customer relationships and contracts acquired as part of a business combination are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships and contracts acquired at the date of acquisition.

Subsequent to initial recognition such acquired intangible assets are amortised on a straight-line basis over their estimated useful lives. The estimated life is re-evaluated on a regular basis.

Amortisation of intangibles

Amortisation of intangibles is charged to profit or loss. Goodwill is not amortised. The expected useful lives are as follows:

Item	Useful life
Customer relationships and contracts	15 years
Computer software	5 years

1.4. Impairment

Financial assets carried at amortised cost

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial asset is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about the following events:

(i) significant financial difficulty of the issuer or debtor;

(ii) a breach of contract, such as a default or delinquency in payments;

(iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;

(iv) the disappearance of an active market for that financial asset because of financial difficulties; or

(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including::

- adverse changes in the payment status of issuers or debtors in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

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

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held to maturity investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price less cost to sell.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the group's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed in the statement of comprehensive income.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the group's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

Impairment of other non-financial assets

Intangible assets and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of comprehensive income immediately when incurred for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.5. Financial Instruments

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company has no debt instruments at fair value through OCI as at 31 December 2018.

Financial assets classified at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss

If quoted market prices are not available, reference can also be made to readily and regularly available broker or dealer price quotations.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

a) The rights to receive cash flows from the asset have expired; or
b) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company's holding in financial liabilities represents mainly insurance contract liabilities, payable under investment contracts with discretionary participation features(DPF), creditors arising from reinsurance arrangements and other liabilities.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. The Company has no held for trading financial liabilities as at end of 31 December 2018.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss

Loans and receivables

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR (Effective Interest Rate) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs

1.6. Change in accounting policies for IFRS 9 Financial Instruments

The Company has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy for financial instruments.

Accounting policies applied from 1 January 2018 in respect of financial instruments

Financial assets

IFRS 9 applies two criteria to determine how financial assets should be classified and measured, namely:

a) the entity's business model for managing the financial assets; and

b) the contractual cash flow characteristics of the financial asset.

Under IAS 39 Financial Instruments: Recognition and Measurement, the Company designated the significant majority of financial assets at fair value through profit or loss. The Company has applied IFRS 9's classification and measurement requirements based on the facts and circumstances of the various business models at the date of adoption of IFRS 9 in determining the transition adjustment.

Application of the business model approach for Liberty Life Assurance Uganda Limited results in changes to classification for certain components of "Prepayments and other receivables" and "Cash and cash equivalents". Under IFRS 9 they are all now classified at amortised cost. Previously certain components were designated at fair value through profit or loss under IAS 39. Due to the short-term nature of these financial instruments, there was no material impact on the change in measurement nor were there any impairment provisions on adoption of IFRS 9 as at 1 January 2018.

Financial Liabilities

Financial liabilities classification and measurement under IFRS 9 has not changed significantly from IAS 39. Financial liabilities are either held at fair value (either required or designated) or at amortised cost. A summary of changes from those adopted under IAS 39 are:

- The classification and measurement of subcomponents of "Other payables" are classified at amortised cost under IFRS 9, rather than as previously designated at fair value through profit or loss under IAS 39.
- Intercompany payables, previously designated at fair value through profit or loss under IAS 39, now measured at amortised cost.

Opening transition adjustment as at 1 January 2018

	As previously reported under IAS 39	Transition adjustment	As classified under IFRS at FVPL
Amounts due to related parties	(1,596,279)	-	(1,596,279)
Financial liabilities - other payables	(4,496,523)	-	(4,496,523)
Gross transition adjustment		-	
Taxation			
Net transition adjustment	-	-	**576,583**

There were no other material measurement changes on classifications from IAS 39 and IFRS 9 on 1 January 2018.

Effect on the classification of financial assets and financial liabilities on application of IFRS 9

The following table shows the original classification and carrying amount under IAS 39, and the new carrying amount under IFRS 9 for each class of the group's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original amount under IAS 39	New carrying amount under IFRS 9
			Shs'000	Shs'000
Financial instruments				
Equity instruments	FVOCI	FVOCI	50,000	50,000
Unlisted				
Debt instruments				
Unlisted term deposits	Amortised cost	Amortised cost	5,064,203	5,064,203
Unlisted government treasury bills	Amortised cost	Amortised cost	12,463,374	12,463,374
Prepayments, insurance and other receivables				
Prepayments and other receivables	Amortised cost	Amortised cost	12,219,153	12,219,153
Cash and cash equivalents				
Cash and cash equivalents	Amortised cost	Amortised cost	3,384,915	3,384,915
Total financial assets			**33,181,645**	**33,181,645**
Financial liabilities				
Insurance and other payables	Amortised cost	Amortised cost	4,496,523	4,496,523
			4,496,523	**4,496,523**

1.7. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost Cash and cash equivalents comprise balances with bankers, highly liquid short-term funds on deposit and cash on hand but do not include money market securities held for investment. Balances included in this category are those with original maturity dates of three months or less.

1.8. Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, from the proceeds of the equity issue. Under section 6 of the Ugandan Insurance Act, the Company is required to have a minimum paid up capital of three billion Uganda Shillings in the case of a life (long-term) insurance business. The issued share capital as at 31 December 2018 was Ushs 3 billion (2017: Ushs 3 billion).

1.9. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's directors.

1.10. Policyholder insurance contracts

In terms of IFRS 4, defined insurance liabilities are measured under existing local practice at the date of adoption of IFRS 4. Given that Liberty Life Assurance Uganda Limited is part of the Liberty Holdings (based in South Africa), the Company has adopted the South African Practice Guidance Notes (PGN's) issued by the Actuarial Society of South Africa to determine the liability in respect of insurance contracts issued in Uganda.

Insurance and investment contract classification

The Company issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the Company (insurer) accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risk. The Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

An investment contract is a contract that transfers financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instruments price, foreign exchange rate, or credit rating.

In respect of group life business, no discounting of future cash flows is performed. However a provision will be held if the expected guaranteed premiums under the current basis and investment returns in the short term are not sufficient to meet expected future claims and expenses.

In line with the nature of the business currently being sold, the actuarial liabilities have been determined as the unearned portion of the premiums received after allowing for initial general marketing and administration expenses and acquisition costs. In addition we hold a reserve for claims incurred but not reported (IBNR).

Incurred but not reported claims

Provision is made in the policyholders' liabilities under insurance contracts for the estimated cost of claims outstanding at the end of the year; including those incurred but not reported (IBNR) at that date.

IBNR provisions are calculated using run-off techniques or as a multiple, based on the average historical reporting delay, of the claims reported in the month following the valuation date but where the claims event occurred prior to the valuation date. These liabilities are not discounted due to the short-term nature of outstanding claims. Outstanding claims and benefit payments are stated gross of reinsurance.

Liability adequacy test

At each reporting date the adequacy of the insurance liability is assessed. If that assessment shows that the carrying amount of its insurance liabilities (as measured under the FSV basis) is inadequate in light of the estimated future cash flows (based on the best estimate basis underlying the FSV basis), the deficiency is recognised in profit or loss.

Premium income

Premiums on insurance contracts are recognised when due in terms of the contract. Premiums receivable in respect of corporate schemes are recognised when there is reasonable assurance of collection in terms of the policy contract. Premium income on insurance contracts is shown gross of reinsurance where applicable. Premiums are shown before deduction of commission. Premium income received in advance is included in insurance and other payable.

Reinsurance income

Reinsurance premiums are recognised when due in terms of the contract in accordance with the terms of each reinsurance contract.

Claims

Claims on insurance contracts, which include death, disability and surrender are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. They also include claims that arise from death and disability events that have occurred up to the statement of financial position date even if they have not been reported to the Company. Unpaid disability claims are estimated using the input of assessors for individual cases reported to the Company and statistical analyses for the claims incurred but not reported. Outstanding claims are recognized in premium and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

Acquisition costs

Acquisition costs for insurance contracts represent commission and other costs, including bonuses payable that relate to the securing of new contracts and the renewing of existing contracts. These costs are deferred over the life of the contract.

1.11. Receivables and payables related to insurance contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers, reinsurers and policyholders. They are initially recognised net of transaction cost, then subsequently at amortised cost.

1.12. Offsetting

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

1.13. Investment income

Investment income for the Company comprises interest and dividend income. Interest income and expenses for all interest-bearing financial instruments, are recognised within investment income and finance costs in profit and loss using the effective interest rate method.

When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Dividends are included in income when the Company becomes legally entitled to them.

1.14. Employee benefits leave pay

The company recognises a liability for the amount of accumulated leave if the company has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Incentive schemes

Incentive scheme bonuses are recognised as expenses as incurred when the group has a present legal or constructive obligation and the amount can be reliably measured.

1.15. Current and deferred taxation

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Uganda Income Tax Act. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.16. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation of uncertain timing or amount, as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.17. Operating lease

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight-line basis over the period of the lease.

1.18. Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Life fund

TThe nature of the products sold dictates a simplistic valuation method. The published liabilities are calculated on different bases for insurance and investment contracts, as determined under IFRS 4;

Insurance contract liabilities are determined on the statutory valuation method (SVM) basis. The minimum capital requirement met is Ushs 3 billion.

Group Risk Business

This includes group life, decreasing term, funeral and critical illness business. For the banc assurance products the Company holds an unearned premium reserve (UPR), being the outstanding premium in respect of single and annual premium products. This is determined as proportionate outstanding premium after allowance for commission and initial expenses. In addition we made provision for future renewal expenses and a contingency margin. Initial and renewal expenses are assumed to be split equally.

Group Deposit Administration

The group deposit administration liabilities are calculated as the amount of the funds at the valuation date, being the accumulated premiums plus investment returns.

Profit Share

Allowance has been made in respect of the profit share agreement relating to the group life policy in place with MTN Uganda and Stanbic Whole Life. They were calculated in line with the agreements in the profit share documents. The published assets are taken at market value. Published assets and liabilities are shown gross of reinsurance.

Data contingency reserve

Owing to the uncertainty surrounding the data, and any potential unknowns that may emerge from the business, it is prudent to set aside a contingency reserve. We have arbitrarily set this to be Ushs 300 million (2017: Ushs 300 million).

We will review the need for this reserve as data quality and experience in respect of the business improves. The reserve amount is included in the total life fund balance of Ushs 8,148 million (2017: Ushs 13,095 million

Property, and equipment

Critical estimates are made by the directors in determining depreciation rates for property and equipment. The rates used are set out in the Accounting policy (1.2).

(iii) Critical judgements in applying the entity's accounting policies

In the process of applying the Company's accounting policies, management has made judgments in determining the classification of financial assets and determining the recoverable amount of impaired receivables.

(iv) Correction of error in accounting for reinsurance receivables

During the year, the Company and its reinsurers provided clarification on the interpretation of selected terms in the Company's 2017 and 2018 re-insurance treaties. As a consequence of that clarification, the Company adjusted its 2017 re-insurance receivables (largely comprised of underwriting fees) and also recognised payables to Uganda Re, Zep Re and Africa Re. These adjustments have been treated in the accompanying financial statements as prior period errors and corrected against specific financial statement line items as shown below:

Balance sheet extract	31 December 2017 Ushs'000	Increase/ Decrease Ushs'000	31 December 2017 Restated Ushs'000	31 December 2016 Ushs'000	Increase/ Decrease Ushs'000	1 January 2017 Restated Ushs'000
Prepayments, insurance and other receivables	14,215,871	(1,996,718)	12,219,153	18,602,540	(866,502)	17,736,038
Insurance and other payables	(4,414,388)	(82,135)	(4,496,523)	(14,752,558)	-	(14,752,558)
Deferred income tax assets	2,067,209	(24,155)	2,043,054	1,768,773	123,682	1,892,455
Current tax payable	1,081,692	(281,236)	800,456	122,138	91,694	213,832
Net assets	18,173,898	(1,821,772)	16,352,126	16,960,160	(834,514)	16,125,646
Retained earnings	10,080,559	(1,821,772)	8,258,787	9,551,202	(834,514)	8,716,688
Total Equity	18,173,898	(1,821,772)	16,352,126	16,960,160	(834,514)	16,125,646

Income statement extract	31 December 2017	Profit Increase/ (Decrease) Ushs'000	1 January 2017 Restated Ushs'000
Reinsurance premiums ceded	(14,570,504)	(567,789)	(15,138,293)
Administrative and other income	689,901	(703,747)	(13,846)
Insurance claims recovered from reinsurers	9,352,480	485,654	9,838,134
Operating expenses	(10,224,076)	(426,469)	(10,650,545)
Profit before tax	8,421,036	(1,212,351)	7,208,685
Income tax expense	(2,247,038)	225,093	(2,021,945)
Net profit after tax	**6,173,998**	**(987,258)**	**5,186,740**

1.19. Risk management

1.19.1. Introduction

Liberty Life Assurance Uganda Limited's main objective is to provide value to shareholders through a long-term sustainable real return on capital as a result of taking business risks within an appropriate risk framework. The board of directors acknowledges its responsibility for establishing, monitoring and communicating appropriate risk and control policies, and ensuring sufficient capital is held to support taking of risk.

The Company continually updates its vision, strategy, values and business objectives and the requirement for a robust risk management process is critical in ensuring the sustainability of the business model. The directors of the Company unanimously support the long term creation and protection of the wealth of its policyholders and shareholders.

The Company's main activity from a risk taking perspective is to provide long term insurance risk cover to individual, corporate and group schemes. The Company's core competency is to understand the life and long term insurance risk needs of individuals and design sustainable products that provide financial security to policyholders and their families in times of sickness, death and disability.

The key elements of risk management are:

- Maintaining sufficient economic capital and liquidity to withstand most risk events;
- Understanding the significant economic and non-economic variables in product design;
- Strong corporate governance including relevant and reliable management information and internal control processes;
- Ensuring significant and relevant skills and services are available consistently to the Company;
- Influencing the business environment by being active participants in the relevant regulatory and business forums;
- Keeping abreast of technology and consumer trends and investing capital and resources where required; and
- Establishing an appropriate risk framework of authority that management with the risk parameters acceptable to the board of directors.

One of our key risk management objectives is to continue to develop, implement and entrench a sustainable risk ethic and philosophy throughout the organisation.

Risk management is performed by the Company's management under the oversight of the Board. The risk management principles and policies applied are consistent with those applied in the wider Liberty Group as approved by the Liberty Holdings (South Africa) Group Risk Committee (GRC), and the Group Audit and Actuarial Committee (GAAC).

The sections are structured as follows:	Section
Enterprise-wide risk management (ERM)	1.2
Risk appetite and capital management	1.21
Risk categories:	
Strategic	1.22
Insurance	1.23
Market	1.24
Credit	1.25
Liquidity	1.27
Operational	1.28
Reputational	1.29
Concentration	1.30

1.20. Enterprise-wide risk management (ERM)

The company offers a comprehensive range of financial products and services to both the individual and corporate markets, distributing tailored risk and insurance products. It is through the prudent taking and management of the risks inherent in the production, distribution and maintenance of these products and services that the business generates returns to shareholders.

These risks are defined in section 3.1.4 ('Risk taxonomy').

Solvency risk is considered to be of primary importance, even though it arises from risk events that occur in other risk classes defined in the group's risk taxonomy, and is therefore considered to be a "consequential" risk.

It is defined as the risk that the group does not have sufficient assets to cover its liabilities and capital requirements.

The Company's approach to ERM therefore has as its objective the managing of solvency risk whilst earning sustainable, acceptable shareholder returns.

This framework includes the following components:

- Governance and clearly defined roles and responsibilities;
- Risk appetite and capital management to shape and support risk in the business;
- A risk taxonomy to define risks inherent in the group's businesses; and
- Frameworks and supporting processes to manage each risk class.

1.20.1. Risk governance structures, roles and responsibilities

Recognising that clear accountabilities for the management of risk are fundamental to the success of any risk framework, the group has an ERM governance structure which is complemented by governance processes. The Board of Liberty Life Uganda as well as the Group, through its Liberty Africa Insurance division ensures that sufficient oversight and governance structures are put in place with respect to Liberty Life Uganda. These oversight and governance structures play a key role in assisting the Board of Liberty Life Uganda with mitigating regulatory, liquidity, solvency and market risks.

Governance and the 'three lines of defence' model

The Company has adopted a 'three lines of defence' model for managing risk. This model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and issues throughout the company. The model incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk in the organisation. The implementation of this model ensures that risk management is embedded in the culture of the organization and provides assurance to the board and senior management that risk management is effective.

Roles and responsibilities within the governance model

The roles, responsibilities and accountabilities for managing, reporting and escalating risks and issues differ throughout the Company's 'three lines of defence'. These have been defined as follows:

Oversight

Board of directors and key sub-committees

The Board of Directors has direct oversight of the Company's operations and risk management activities. It is assisted in this regard by the Investment Committee as well as the Audit and Risk Committee.

Three lines of defence

The "three lines of defence" that support Risk Management objectives are as follows:

First line – Business Unit Management

Business unit management are responsible for:

- Managing day-to-day risk exposures by using appropriate procedures and internal controls.
- The effectiveness of risk management and risk outcomes and for allocating resources to execute risk management activities.
- Tracking risk events and losses, identifying issues and implementing remedial actions to address these issues.

- Reporting and escalating material risks and issues to the Board or other governance bodies.

They have the authority to manage capital and market risk within their approved mandates and may also recommend the taking of risk beyond their mandate for the approval of the Board.

Second line – Statutory Actuaries and the Risk function

The statutory actuaries have a duty under the Insurance Statute of 1996 to carry out actuarial investigations and to report on those investigations. It is also their duty to ensure that they have satisfied themselves that each legal entity remains solvent and able to meet liabilities at all times; they report on the solvency of these legal entities to the board and independent auditors, to whom they have unrestricted access.

From a risk management point of view, the statutory actuaries identify and monitor the risks faced by the Company which could have a material impact on the Company's ability to meet policyholder liabilities, and advise management if they believe that the policyholder liabilities are not being or will not be met.

Risk Function

The risk function of Liberty Life Uganda is responsible for assisting senior management and the board to meet their obligations in terms of managing risk. The risk function develops the risk framework, policies, processes, systems and limits. The risk function provides independent oversight of risk management, reporting and escalating material risks and issues to the Board committees and sub-committees as necessary.

Third line – Assurance

The third line of defence comprises the group's assurance functions who provide an independent, accurate and balanced view of risk from each of the three lines of defence to the governance bodies within the organisation.

Group Internal Audit Services (GIAS)

Liberty Life Uganda does not have its own internal audit function. Internal audit services are provided by GIAS. GIAS is responsible for providing independent and objective assurance to management and the board on the adequacy and effectiveness of the group's risk management, governance, business processes and controls. GIAS is responsible for validating compliance to the group's overall risk framework and risk governance structures and for providing independent assurance to management and the board on the effectiveness of the first and second lines of defence. Internal audits are based on an assessment of risk areas, as well as on issues highlighted by GAAC and management. GIAS maintain a formal "Findings Tracking System" to ensure that all audit findings raised are addressed through clear action plans in a timely manner.

External Auditor

The external auditor has a statutory duty to report their independent opinion to the shareholders on the Company's financial statements. They also report to the Board of Liberty Life Uganda on any weaknesses in accounting and operational controls, which come to their attention during their audits.

1.20.2. Risk taxonomy

The board has approved the risk categories that reflect the diverse nature of the business' activities. These risk categories form the group's risk taxonomy and cover the range of risks to which the business is exposed to. The risk taxonomy allows management and the Board of Liberty Life Uganda to develop specific frameworks and policies covering the management of each risk as well as to obtain accurate, reliable and expeditious information with which to measure and monitor risks.

The Company integrated risk framework has been built around the following clearly defined risk categories:

1	2	3	4	5	6
Strategic and business risk	Insurance risk	Market risk	Credit risk	Liquidity risk	Operational risk
Solvency Risk					
Reputation Impact					

These risks are discussed in detail in the various section that follow in this report.

1.21. Risk appetite and capital management

1.21.1. Risk appetite

Risk appetite is defined as the amount of risk taking that is acceptable to an organisation. Risk appetite refers to the organisation's attitude towards risk taking and whether it is willing and able to tolerate a high or low level of exposure to specific risks or risk groups.

Within the Company, the risk appetite decision is fundamentally driven by the dual, but at times conflicting, objectives of creating shareholder value through risk taking, while providing financial security for the interests of policyholders and clients through the Company's ongoing solvency.

The level of financial security provided to policyholders and clients has been determined as being the Company's target minimum capital adequacy requirement. While excessive amounts of capital will effectively guarantee the interest of policyholders and clients, this will not deliver efficient returns to shareholders.

An internal target of 3.0 times the minimum statutory capital adequacy requirement has been considered, by the board, as adequate from a solvency perspective. An absolute floor of 1.5 times the statutory capital adequacy requirement has also been set, which the group would prefer not to breach at any stage. Should the capital adequacy cover be at risk of moving below this level, a cut in dividend (and potentially other management actions) would be considered. This allows for a significant buffer against adverse market conditions to protect the group's solvency, but at the same time allows for efficient returns to shareholders.

At present the business has achieved a level of 3.12 (2017: 3.77) times the minimum requirement.

Thus the risks accepted by the Company, as reflected in its strategic plans, are assessed in terms of their potential impact on shareholder returns and capital adequacy, particularly during the annual budgeting and planning process.

1.21.2. Capital management

Introduction

As explained above, capital adequacy is a key component in the Company's ERM, to:

- Support its risk taking activities.
- Protect policyholders and clients by ensuring adequate assets are available to meet their entitlements.
- Fund working capital and strategic requirements.
- Maintain its operating life licences.

The amount of capital the Company holds is an important measure used by the Industry Regulator and the market to assess the financial strength of the Company. Essentially capital management focuses on the capital needed, based on the Company's risk appetite, and how that capital is funded. The funding allocation impacts the Company's cost of capital.

Capital requirements

The regulatory Capital Adequacy Requirement (CAR) is calculated in accordance with the Uganda Insurance Industry and standard of actuarial practice note 104 (SAP 104: calculation of the value of the assets, liabilities and capital adequacy requirement of long term insurers issued by the actuarial society of South Africa ASSA.) They are required to be the greater of the Termination Capital Adequacy Requirement (TCAR) and the Ordinary Capital Adequacy Requirement (OCAR).

The TCAR examines a highly selective scenario in which all policies, with surrender values greater than the policy liability, terminate immediately (similar to a run-on-the-bank scenario). The OCAR is a risk based measure calculated based on a number of market and insurance risk stress tests, which together with compulsory margins are intended to provide approximately a 95% confidence level over the long term that the insurer will be able to meet all its obligations.

The table below summarises the minimum required capital as set out by the Uganda Insurance Act and the applicable regulatory capital held. It also sets out the company's CAR Ratio against the target set out in SAP 104.

	2018 Ushs'000	**2017 Ushs'000**
Minimum capital requirement (regulatory)	**3,000,000**	3,000,000
Actual qualifying capital held	**3,000,000**	3,000,000
Available statutory capital	**6,447,984**	6,476,249
Target CAR Ratio (times)	**3.0**	3.0
Actual CAR Ratio (times)-Statutory basis	**3.12**	3.77
Published basis		
Total assets	**31,345,077**	36,680,395
Total liabilities	**(19,971,133)**	(20,328,269)
Liabilities under insurance contracts	**(7,976,537)**	(12,886,499)
Liabilities under investment contracts with DPF	**(171,567)**	(208,512)
Other Liabilities	**(11,823,029)**	(7,233,258)
Excess of assets over liabilities	**11,373,944**	16,352,126
Statutory basis		
Total assets	**27,572,723**	29,195,470
Total liabilities	**(22,646,763)**	(19,576,674)
Policyholder liabilities	**(5,463,004)**	(7,070,765)
Other liabilities	**(17,183,759)**	(12,505,909)
Excess of assets over liabilities	**4,925,960**	9,618,796
Excess of assets over liabilities - statutory basis	**4,925,960**	9,618,796
Excess of assets over liabilities published	**(11,373,944)**	(16,352,126)
Difference	**(6,447,984)**	(6,476,249)

1.22. Strategic risk

Strategic risk is the risk of adverse outcomes resulting from a weak competitive position or from a poor choice of strategy, markets, products, activities or structures. Major potential sources of strategic risk include revenue and cost volatility owing to factors such as macroeconomic conditions, changes in regulation, inflexible cost structures, reputation or brand, uncompetitive products or pricing and structural inefficiencies.

1.22.1. Accountability for strategic risk

The risk is primarily mitigated through the development and implementation of an effective strategic plan. The board is responsible for agreeing the Company's objectives and the strategies and plans for achieving those objectives. The board approves any subsequent material changes in strategic direction, as well as significant acquisitions, mergers, take-overs, divestments of operating companies, equity investments and new strategic alliances by the company or its subsidiaries. The Chief Executive officer is responsible for the development of the strategic plan and implementing the approved strategic plan at a company level.

1.22.2. Risk identification

The Company's management continually review the strategy of the Company, with a formal annual review and refresh, taking into account the business, legal and regulatory environments in which the company and the wider group operates. Executive management identifies and assesses strategic and business opportunities and addresses the associated risks throughout the strategic planning process.

1.22.3. Risk management

Management monitor the external business environment (industry trends, regulations, customer behaviour, competitors) and report on risks and opportunities through the Company's risk reporting structure. The Board reviews the performance of the Company regularly and ensures that management takes corrective action to address potential strategic and business risks.

1.23. Insurance risk

1.23.1. Introduction

Insurance risk risk is the risk that future experience will differ from expectations only in respect of: underwriting, customer behavior, expense, tax and new business factors. This risk relates specifically to the expectations employed in determining expected financial outcomes; limited to pricing, provisioning, risk measures and value measures.

The assumptions that have the greatest effect on the Statement of Financial Position and Statement of Comprehensive Income due to a higher likelihood of variation from estimates made are described below.

Mortality risk is the risk of loss arising due to actual policyholder death experience on life assurance policies being higher than expected.

Morbidity risk is the risk of loss arising due to policyholder health related claims being higher than expected.

Policyholder behaviour risk is the risk of loss arising due to policyholder's behavior in discontinuing, reducing contributions or withdrawing benefits prior to the expiry of the contract being worse than expected.

Expense risk is the risk of loss arising due to the expenses incurred in administering polices being worse than expected.

Other risks which are not expected to have a material impact on the results in the short term include catastrophe risk, tax assumptions and the expected inflation of expenses.

The reinsurance treaties set in place will protect the company's solvency from large individual claims and cumulative claims from catastrophic events.

The statutory actuary reports annually on the actuarial soundness of the premium rates in use for new business and the profitability of the business taking into consideration the reasonable benefit expectations of policyholders and the expected impact of the insurance and market risks.

The Company's expense ratios are progressively coming down due to growth in premium income with expense growth remaining under control. This is generating expense profits and with increased management focus on expense control, this should continue to be important source of future profits.

The health condition and medical history of applicants are assessed at inception of new contracts as part of the underwriting process and premiums and terms and conditions are varied accordingly. Special risks, such as hazardous pursuits and unusual medical conditions, are also assessed at underwriting stage. In addition, financial underwriting is used where necessary to determine insurable interest.

All applications for risk cover in excess of specified limits are reviewed by experienced underwriters and evaluated against established standards. Specific testing for HIV is carried out in all cases where the applications for risk cover exceed set limits depending on the risk classification of the applicants.

Policyholders have the option to discontinue or reduce contributions. As a result policyholder behaviour contributes to insurance risk.

An estimate of expenses necessary to administer the recurring contract periods of in-force policies are provided for in the determination of the policyholder liability.

The amounts provided are based on actual experience adjusted for non-recurring expenses and known variations to the future expense base.

The expense risk is that actual expenses over time exceed the charges obtained from the premium income.

1.24. Financial Market risk

1.24.1. Introduction

Financial markets risk refers to credit, market and liquidity risk collectively.

In particular the Company is exposed to market risk where the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance contracts. This risk is termed as the policyholder asset-liability mismatched risk. The Company manages these positions within an asset liability management (ALM) framework that aims to match assets to the liabilities arising from insurance contracts by nature and term. For each distinct category of liabilities in terms of the ALM framework, a separate asset profile is maintained. For most categories of business, the ALM framework determines an asset class allocation. The Liberty Life Uganda Investment

Committee determines Investment mandates under the direction of the Board in line with the ALM framework.

1.24.2. Market risk

The risk of an unexpected change in the actual or effective market value of an instrument, its future cash flows or earnings caused by adverse moves in market variables such as equity, bond, currency exchange rates, interest rates, properties, credit spreads, correlations and implied volatilities.

Interest rate risk is the risk arising from the yield curve deviating from the expected yield curve in both absolute value and the shape of the curve.

Accounts receivable and accounts payable where settlement is expected within 90 days are not included in the analysis below, since the effect of interest rate risk on these balances is not considered material given the short-term duration of these underlying cash flows.

Policyholder liabilities – Liabilities in which the determination of the amount owing is not referenced entirely to specific assets. Liberty Life Uganda shareholders effectively are exposed to the market risks depending on the extent of the asset liability mismatch.

Ordinary shareholders – Assets that are specifically held to support the Company's capital base. The Company's shareholders assume the entire market risk related to these assets.

The table below summarises the Company's net exposure to insurance and financial assets. This exposure has been attributed to the effective "holders' of the risk defined as follows:

	Total per Statement of financial position	
Risk category	**2018**	**2017**
	Ushs'000	**Ushs'000**
Financial instruments	**15,241,541**	17,577,577
Prepayments, insurance and other receivables	**7,784,150**	12,219,153
Statutory Security Deposit	**486,809**	455,238
Cash and cash equivalents	**4,373,422**	3,384,915
Total Financial and Insurance assets	**27,885,922**	33,636,883

1.24.3. Currency risk

In the ordinary course of business, the Company enters into transactions denominated in foreign currencies and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. At December 31, 2018, if the currency had weakened / strengthened by 5 % against the South African Rand with all other variables held constant, post-tax profit for the year would have been Ushs 145 million (2017: Ushs 53.3 million) higher(lower), mainly as a result of foreign exchange gains / losses on translation of Rand denominated related party transactions.

Risk category	Total per Statement of financial position	
	2018	2017
	Ushs'000	Ushs'000
Cash and cash equivalents	**2,899,000**	1,521,060
Total Financial and Insurance assets	**2,899,000**	1,521,060

1.25. Credit risk

The risk of adverse financial impact due to changes in the credit quality of obligations and/or the market pricing of credit risk. Credit risk can be sub-divided into credit default risk, spread risk and credit concentration risk.

1.25.1. Introduction

Key areas where the Company is exposed to credit risk are:

- Cash and cash equivalents;
- Assets invested in the Money Market fund;
- Certain accounts within prepayments, insurance and other receivables; and
- Certain accounts within provisions, insurance and other payables.

1.25.2. Financial assets

The Company's investment and associated financial instruments that support policyholder liabilities were managed in-house by the Company's management.

1.25.3. Credit exposure

The Company has significant concentration of credit risk in terms of insurance and other receivables due to the relative significance of the total value of debtors with Stanbic bank (37%). Cash transactions are at present conducted significantly through Stanbic Bank (Uganda) Limited, a fellow Group company.

If a policyholder ceases to pay their premiums, as contractually required, any insurance risk would lapse.

The following table provides information regarding the aggregated credit risk exposure for the Company, for debt instruments categorised by credit ratings (if available), at 31 December 2018.

	AAA	AA	A	B+	Not rated	Total Carrying value
At December 31 2018	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Financial Instruments	-	-	-	**15,146,541**	**95,000**	**15,241,541**
Prepayments, insurance and other receivables	-	-	-	**1,946,763**	**5,837,387**	**7,784,150**
Cash at bank	-	-	-	**-**	**4,373,422**	**4,373,422**
Total assets bearing credit risk	-	-	-	**17,093,304**	**10,305,809**	**35,178,363**
At December 31 2017						
Financial Instruments	-	-	-	17,527,577	50,000	17,577,577
Prepayments, insurance and other receivables	-	-	-	4,027,528	8,191,625	12,219,153
Cash at bank	-	-	-	-	3,384,915	3,384,915
Total assets bearing credit risk	-	-	-	21,555,105	11,626,540	33,181,645

The assets above are analysed according to internal credit ratings benchmarked to external rating agencies such as Fitch and Standard and Poor's.

The rating scales are linked to long-term investment horizons as the Company cannot accurately determine the maturity of these assets due to volatility of the markets and policyholder behaviour, and have the following broad definitions:

Investment grade

AAA - Obligations are judged to be of the highest quality, with minimal credit risk and indicate the best quality companies that are reliable and stable.

AA - Obligations are judged to be of high quality and are subject to very low credit risk and indicate quality companies, although riskier than AAA.

A - Obligations are considered upper-medium grade and are subject to low credit risk although certain economic situations can more readily affect the companies' finance adversely than those rated AAA or AA.

B+ - Obligations are subject to moderate credit risk and indicate medium class companies, which are currently satisfactory.

Not rated - The group considers and reviews credit risk on all financial instrument exposures, however in the case of certain instruments a formal investment grade is not assessed.

1.25.4. Standard Bank Limited credit risk concentration

Standard Bank Limited is Liberty Group Limited's ultimate holding company. However normal credit processes are followed before any asset exposure is entered into with Standard Bank or its subsidiaries.

Standard Bank Group Limited (Standard Bank) credit risk concentration

Standard Bank Group Limited (Standard Bank) credit risk concentration	**Overall Company investment**	**Exposure to Standard Bank**	**%**
2018	**Ushs'000**	**Ushs'000**	
Equity instruments-Uganda re	**95,000**	**-**	**-**
Financial instruments	**15,146,541**	**-**	**-**
Cash and cash equivalents	**4,373,422**	**2,513,130**	**57.5**
Total exposure to Standard Bank	**19,614,963**	**2,513,130**	**13.0**
2017			
Equity instruments-Uganda Re	50,000	-	-
Financial instruments	17,527,577	-	-
Cash and cash equivalents	3,384,915	3,042,590	90.0
Total exposure to Standard Bank	20,962,492	3,042,590	15.0

1.26. Liquidity risk

This represents the risk that a legal entity cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due (funding liquidity risk), or can only do so at materially disadvantageous terms (market liquidity risk).

Introduction

Long term insurance companies are registered financial institutions and are required to hold minimum capital liquid assets to reduce policyholder exposure to the entity's liquidity risk.

Maturity profile

The table below summarises the maturity profile of the financial assets and liabilities of the company based on the remaining undiscounted contractual obligations.

Year ended 31 December 2018	0-3 months	Less than 1 year	1 year to 5 years	Over 5 years	Statement of financial position carrying value
Assets	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Financial instruments	-	13,773,914	1,372,627	95,000	**15,241,541**
Prepayments, insurance and other receivables		5,099,050	2,685,100	-	**7,784,150**
Amounts due from related parties	-	-	-	-	**-**
Cash and short-term deposits	4,373,422	-	-	-	**4,373,422**
Statutory security deposit	-	486,809	-	-	**486,809**
Unit trust investment	-	164,097	-	-	**164,097**
Total assets	**4,373,422**	**19,523,870**	**4,057,727**	**95,000**	**28,050,019**
Liabilities					
Insurance contracts	-	6,984,572	779,613	212,352	**7,976,537**
Investment linked contracts (excluding discretionary participation features (DPF)	-	171,567	-	-	**171,567**
Employee benefits	70,493	-	-	-	**70,493**
Insurance and other payables	606,686	5,004,169	-	-	**5,610,855**
Amounts due to related parties	-	6,141,681	-	-	**6,141,681**
Total Liabilities	**677,179**	**18,301,989**	**779,613**	**212,352**	**19,971,133**
Net Liquidity gap	**3,696,243**	**1,221,881**	**3,278,114**	**(117,352)**	**8,078,886**
Year ended 31 December 2017					
Assets					
Financial instruments	-	16,064,426	1,463,151	50,000	17,577,577
Prepayments, insurance and other receivables	-	8,191,625	4,027,528	-	12,219,153
Amounts due from related parties	246,472	-	-	-	246,472
Cash and short-term deposits	3,384,915	-	-	-	3,384,915
Statutory security deposit	-	455,238	-	-	455,238
Total assets	3,631,387	24,711,289	5,490,679	50,000	33,883,355
Liabilities					
Insurance contracts	-	10,236,067	2,629,253	21,179	12,886,499
Investment contracts with discretionary participation features (DPF)	-	208,512	-	-	208,512
Employee benefits	340,000	-	-	-	340,000
Insurance and other payables	1,120,424	3,376,099	-	-	4,496,523
Amounts due to related parties	-	1,596,279	-	-	1,596,279
Total Liabilities	**1,460,424**	**15,416,957**	**2,629,253**	**21,179**	**19,527,813**
Net Liquid gap	**2,170,963**	**9,294,332**	**2,861,426**	**28,821**	**14,355,542**

1.26.1. Liquidity profile of financial assets

The Company's financial assets are very liquid as the following table illustrates.

Financial asset liquidity	2018	2017
Liquid assets	16%	11%
Medium assets	84%	89%
	100%	100%

1) Liquid assets are those that are considered to be realisable within one month (e.g. cash, listed equities, term deposits).
2) Medium assets are those that are considered to be realisable within six months (e.g. Insurance and other debtors)

1.26.2. Liquidity profile of liabilities

The maturity profile of liabilities (excluding policyholder liabilities) is as follows:

The table below summarises the maturity profile of the financial liabilities of the company based on the remaining undiscounted contractual obligations. Policyholder liabilities under insurance contracts are shown in a separate table, as these are managed according to expected and not contractual cash flows.

Year ended 31 December 2018	0 - 3 months	Less than 1 year	Statement of Financial Position carrying value
	Ushs'000	Ushs'000	Ushs'000
Employee benefits	70,493	-	70,493
Insurance and other payables	606,686	5,004,169	5,610,855
Amounts due to group companies	-	6,141,681	6,141,681
Total	677,179	11,145,850	11,823,029
Year ended 31 December 2017			
Employee benefits	340,000	-	340,000
Insurance and other payables	1,120,424	3,376,099	4,496,523
Amount due to Group Companies	-	1,596,279	1,596,279
Total	1,460,424	4,972,378	6,432,802

1.26.2.1 Liquidity risks arising out of obligations to policyholders

The following tables give an indication of liquidity needs in respect of cash flows required to meet obligations arising under insurance contracts.

A liability is held with respect to the IBNR and UPR portion associated with annually renewable contracts, and these cash flows are included in the table below.

Year ended 31 December 2018	**Investment contracts with Discretionary features**	**Insurance contracts**	**Total Policyholder Liabilities**
Total policyholder liabilities	**Ushs'000**	**Ushs'000**	**Ushs'000**
Within 1 year	**171,567**	**6,984,572**	**7,156,139**
2 - 5 years	**-**	**779,613**	**779,613**
6 - 10 years	**-**	**54,451**	**54,451**
11 - 20 years	**-**	**70,178**	**70,178**
Over 20 years	**-**	**87,723**	**87,723**
Total	**171,567**	**7,976,537**	**8,148,104**

The following table shows the cash value for policyholders' liabilities:

2018	**Carrying value**	**Surrender Value**
	Ushs'000	**Ushs'000**
Insurance contracts	**7,976,537**	**6,319,033**
Investment contracts excluding DPF	**171,567**	**159,597**
Total liabilities	**8,148,104**	**6,478,630**

Year ended 31 December 2017	**Investment contracts**	**Insurance contracts**	**Total Policyholder Liabilities**
Total policyholder liabilities	**Ushs'000**	**Ushs'000**	**Ushs'000**
Within 1 year	208,512	10,236,067	10,444,579
2 - 5 years	-	2,629,253	2,629,253
6 - 10 years	-	10,059	10,059
11 - 20 years	-	8,983	8,983
Over 20 years	-	2,137	2,137
Total liabilities	208,512	12,886,499	13,095,011

The following table shows the cash value for policyholders liabilities:

2017	**Carrying value**	**Surrender Value**
	Ushs'000	**Ushs'000**
Insurance contracts	12,886,499	4,234,364
Investment contracts with DPF	208,512	193,965
Total Policy holder liabilities	13,095,011	4,428,329

1.27. Operational risk

1.27.1. Introduction

Operational risk is the risk of loss caused by inadequate or failed internal processes, people and systems, or from external events. Operational risk is therefore pervasive across all financial institutions.

As a typical financial institution, we have identified that the operational risks the Company is exposed to could relate to failures around:

- Implementation of new and emerging regulations
- Compliance with regulation
- Customer service
- Information technology
- Human resources
- Internal controls resulting in internal and external fraud
- Project management
- Outsourcing of activities
- Crisis and disaster management
- Introducing new products

1.27.2. Ownership and accountability

Ownership of and accountability for operational risk management is of primary importance. As indicated by the 'three lines of defence' model of risk management adopted within the Company, the first line of defence (management and staff at every level of the business) is accountable for the day-to-day identification, management and monitoring of operational risks. It is also management's responsibility to report any material operational risks, risk events and issues identified to senior management following certain pre-defined escalation procedures.

1.27.3. Risk identification, assessment and measurement

The group uses two methods to identify exposures to operational risk:

- A top-down senior management risk self-assessment of the key operational issues facing the Company.
- A bottom-up self-assessment approach of all operational risks.

The two approaches ensure that a comprehensive and complete view of the Company's operational risk profile is compiled.

As noted in the introduction to this section, the Company has identified the areas in which operational risk arise. The process of operational risk management starts with this. Consideration is then given to the need for a business unit policy to define the approach to mitigating this risk.

Risk and compliance policies are developed, where necessary, to:

- Ensure compliance with internal principles and with legal and regulatory requirements.
- Address associated risks in the business, define roles, responsibilities and expectations at all levels.
- Guide staff at all levels on how to conduct our business.
- Ensure that staff work in a consistent way throughout the Company.
- Help management to develop operating processes.

Once this policy has been approved at the appropriate governance level, it is implemented. A project-based approach is used to introduce and implement risk and compliance changes to the organisation, which typically result in changes to processes and roles.

1.27.4. Risk management

Policy compliance is the subject of ongoing monitoring. The group's policy framework is constantly reviewed and approved where necessary.

Risk management activities in relation to operational risks include but are not limited, to:

- Regulatory risk: The regulatory environment is monitored closely to ensure that the Company implements new or amended legislation requirements promptly to ensure compliance and avoid unnecessary fines and penalties or the revocation of our licence.
- Compliance risk: The risk of regulatory sanctions, financial loss or damage to reputation as a result of not complying with legislation, regulation or internal policies is managed through the established compliance functions within the Company and a compliance policy.
- The policy ensures that compliance requirements are identified and implemented through the development of appropriate policies and procedures and that regular monitoring and reporting of breaches is carried out by the businesses and at the centre to provide the board with assurance on the status of compliance within the organisation.
- Taxation risk: The risk of suffering a loss, financial or otherwise, as a result of an incorrect interpretation and application of taxation legislation or the impact of new taxation legislation on existing products, is managed through the Company's tax policy. The policy ensures that the Company fulfils its responsibilities under tax law in each of the jurisdictions in which it operates, whether in relation to compliance, planning or client service matters. Tax law includes all responsibilities which the company may have in relation to company taxes, personal taxes, indirect taxes and tax administration.

  The group tax function assists the Board and Management of Liberty Life Uganda to identify and manage tax risk through the application of a formulated tax risk approach which measures the fulfilment of tax responsibilities against the specific requirements of each category of tax to which the Company is exposed and in the context of the various types of activities the Company conducts.

- Internal and external fraud: The group has a zero-tolerance policy to fraud. Group Forensic Services (GFS) investigates all reported incidents and proactively identifies incidents which, if established as being fraudulent, may result in dismissals, recoveries or prosecutions.
- The Group's anti-fraud policy clearly states that management (i.e. the first line of defence) is responsible for ensuring that controls at all stages of a business process are adequate for the prevention and detection of fraud. An employee who suspects or knows of an actual fraud follows the reporting process described in the policy. In addition, the group's whistle-blowing policy encourages

employees to be more vigilant and proactive in contributing to a fraud-free environment.

- Business continuity management (BCM): This risk of not continuing normal business activities should a crisis occur, has become a focus for the group and a dedicated resources are in place at group level to assist the business review and improve BCM activities.

  A further range of continuity risks have been identified through a risk assessment and scenario analysis cycle. These risks are proactively managed under the umbrella of a holistic BCM programme and comprising amongst other things the implementation of appropriate reactions and recovery structures and plans, which is subject to testing on a cyclical basis.

- Other: The exposure to risks around new product development, physical security measures, outsourcing and key suppliers, business acquisitions and alliances, financial, and model risk controls, are also monitored.

- Internal controls: The internal controls implemented around high-risk processes e.g. the payment of death and disability claims, are reviewed regularly by management for effectiveness. GIAS provide additional assurance on the adequacy and effectiveness of internal controls by conducting independent risk-based reviews. Any control weaknesses are reported to management and corrective measures are initiated.

  Monitoring controls around the operational risks confirms that the business is operating within its operational risk appetite and ensures the prompt identification of new operational risks and issues. Monitoring is performed by business unit management (and their compliance teams) business unit risk managers and by Group Risk (including Group Forensic Services and Group Compliance Services). The approach to ensuring compliance is typically included in more detail in individual policies. The extent and frequency of monitoring and oversight is influenced by the level of risk of particular business activities.

1.27.5. Reporting

The preparation of monthly and quarterly risk reports forms an integral part of monitoring the company and its subsidiaries overall operational risk profile. This is prepared by each business unit and is presented to the relevant management for review and discussion.

The reports include information relating to:

- Critical operational risks the company and its subsidiaries faces, or are potentially facing.
- Risk events losses and issues (together with intended mitigating actions and progress thereon).
- The effectiveness of mitigation plans and progress made from reporting cycle to reporting cycle.
- Trends in relation to fraud and security incidents, litigation, customer complaints.
- Actual losses and control failures experienced.

1.27.6. Assurance

Group Internal Audit Services (the third line of defence) provide independent assurance on the effectiveness of operational risk management processes to the board and other stakeholders.

1.28. Reputational risk

This is defined as the potential or actual damage to the organisation's image and trustworthiness of business which may impair the profitability and/or sustainability of its business. Such damage may result from a breakdown of trust, confidence or business relationships on the part of customers, counterparties, shareholders, investors or regulators that can adversely affect the group's ability to maintain existing or generate new business relationships and continued access to sources of funding.

The Company is committed to making risk disclosures which assist its shareholders and analysts in gaining a full understanding of its business.

Reputation damage is usually a consequence of failed risk management and is, therefore, managed by having effective risk management processes in place and by effectively dealing with the impact of any significant risk event. The Company's approach to risk management has been described in this section.

Should a risk event occur, the Company's crisis management processes are designed to minimise the reputation impact of the event.

Reputation risk can also arise through business practices being considered inappropriate, given changes in the social and economic environment. The group's risk identification processes include the early identification of environmental changes and their potential impact.

The Company's leadership emphasises the importance of the customer, as well as fairness, sincerity and transparency in all its dealings. The Company monitors complaints from customers and other stakeholders and ensures that management takes the necessary action to address problem areas in a prompt and efficient manner.

1.29. Concentration risk

1.29.1. Introduction

Concentration risk is the risk that the company is exposed to financial loss which if incurred would be significant due to the aggregate (concentration) exposure the company has to a particular asset, counterparty, customer or service provider.

1.29.2. Asset management

The Company' assets are managed internally by management.

2. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Computer equipment	**318,900**	**(186,287)**	**132,613**	271,458	(138,852)	132,606
Fixtures, furniture and fittings	**348,502**	**(145,706)**	**202,796**	262,315	(115,053)	147,262
Office equipment and office machines	**181,501**	**(63,641)**	**117,860**	120,106	(48,215)	71,891
Motor vehicles	**307,970**	**(159,118)**	**148,852**	307,970	(97,524)	210,446
Total	**961,849**	**(399,644)**	**562,205**	961,849	(399,644)	562,205

Reconciliation of property, plant and equipment

	At start of year	Additions	Depreciation	At end of year
Year ended 31 December 2018	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Computer Equipment	**132,606**	**47,442**	**(47,435)**	**132,613**
Fixtures, furniture and fittings	**147,262**	**86,187**	**(30,653)**	**202,796**
Office equipment and office machines	**71,891**	**61,395**	**(15,426)**	**117,860**
Motor Vehicles	**210,446**	**-**	**(61,594)**	**148,852**
	562,205	**195,024**	**(155,108)**	**602,121**

	At start of year	Additions	Depreciation	At end of year
Year ended 31 December 2017	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Computer Equipment	118,560	43,102	(29,056)	132,606
Fixtures, furniture and fittings	166,763	12,255	(31,756)	147,262
Office equipment and office machines	41,964	40,551	(10,624)	71,891
Motor Vehicles	272,040	-	(61,594)	210,446
	599,327	95,908	(133,030)	562,205

3. Intangible assets

Year ended 31 December 2017	2018 Cost Valuation	2018 Accumulated amortisation	2018 Carrying value	2018 Cost Valuation	2018 Accumulated amortisation	2018 Carrying value
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Value of in-force business	**690,000**	**(604,698)**	**85,302**	690,000	(498,219)	191,781
Total	**690,000**	**(604,698)**	**85,302**	690,000	(498,219)	191,781

Value of in-force business relates to insurance contracts acquired from East African Underwriters Limited, at the time of inception of the Company, and are recognised on the basis of the fair value of estimated cash flows expected to be generated from the contracts. The customer contracts are amortised over 15 years.

Year ended 31 December 2018 Carrying value	At start of year Ushs'000	Amortisation Ushs'000	At end of year Ushs'000
Computer software	-	-	-
Value of In-Force Business	**191,781**	**(106,479)**	**85,302**
	191,781	**(106,479)**	**85,302**

Year ended 31 December 2017 Carrying value	At start of year Ushs'000	Amortisation Ushs'000	At end of year Ushs'000
Computer software	14,629	(14,629)	-
Value of In-Force Business	230,000	(38,219)	191,781
Total	244,629	(52,848)	(191,781)

4. Debt and equity instruments

	2018	2017
	Ushs'000	Ushs'000
Government securities	**7,121,503**	12,463,374
Fixed deposits	**8,025,038**	5,064,203
Unlisted equity securities - investment in Uganda Re	**95,000**	50,000
	15,241,541	17,577,577
Maturity profile of government securities and fixed deposits:		
Less than 1 year	**13,773,914**	16,064,426
1 – 5 years	**1,372,627**	1,463,151
Total	**15,146,541**	17,527,577

The weighted average effective interest rate on debt and equity instruments as at 31 December 2018 was 10.03% (2017: 10%).

5. Prepayments, insurance and other receivables

	2018 Ushs'000	2017 Ushs'000
Outstanding premium receivables	**3,920,422**	3,046,022
Reinsurance recoveries	**508,209**	2,427,440
Reinsurers' share of insurance contract liabilities (note 7)	**2,685,100**	6,024,246
Prepayments and other debtors	**670,419**	721,445
Total prepayments, insurance and other receivables	**7,784,150**	12,219,153

Prepayments, insurance and other receivables are settled no more than 12 months after the reporting date. All balances are non interest bearing.

6. Cash and short-term deposits

	2018 Ushs'000	2017 Ushs'000
Cash at Bank and on hand	**4,373,422**	3,384,915
Statutory Security Deposit	**486,809**	455,238
Total cash and short-term deposits	**4,860,231**	3,840,153

7. Policyholders' liabilities under insurance contracts

	Insurance contracts	Investment contracts with DPF	Reinsurance share of insurance contract liabilities
Year ended 31 December 2018	**Ushs'000**	**Ushs'000**	**Ushs'000**
At start of year	12,886,499	208,512	(6,024,246)
Inflows	34,944,715	-	(13,526,815)
Insurance premiums	35,609,656	-	(13,733,381)
Investment returns - other	(664,941)	-	206,566
Unwinding of discount rate	1,519,318	-	(13,733,381)
Investments	2,628,967	-	206,566
Outflows	(37,228,639)	(50,227)	13,438,443

	Insurance contracts	Investment contracts with DPF	Reinsurance share of insurance contract liabilities
Claims and policyholders' benefits under insurance contracts	(14,117,515)	(50,227)	8,564,623
Acquisition costs associated with insurance contracts	(4,649,518)	-	454,182
Taxation	796,274	-	37,873
General marketing and administration expenses	(15,743,360)	-	4,381,765
Profit share allocations	(3,514,520)		-
Switches between investment with DPF and investment without DPF	-	(158,285)	-
Net (income) from insurance operations	(2,626,038)	-	3,427,518
At end of year	**7,976,537**	**-**	**(2,685,100)**
Year ended 31 December 2017			
At start of year	11,646,760	1,888,904	(4,614,973)
Inflows	41,585,364	26,615	(15,718,130)
Insurance premiums	37,568,103	-	(14,570,504)
Investment returns - other	4,017,261	26,615	(1,147,626)
Unwinding of discount rate	1,388,924	225,158	(550,105)
Investments	2,628,967	(198,543)	(597,521)
Outflows	(34,336,642)	(1,868,744)	14,635,610
Claims and policyholders' benefits under insurance contracts	(14,547,495)	(1,956,704)	9,352,480
Acquisition costs associated with insurance contracts	(2,800,807)	-	853,864
Taxation	(2,798,935)	87,960	463,937
General marketing and administration expenses	(14,189,405)	-	3,965,329
Net (income) from insurance operations	(6,008,983)	(161,737)	(326,753)
At end of year	12,886,499	208,512	(6,024,246)

b) Policyholders' liabilities under investment contracts without DPF

Year ended 31 December 2018	Insurance contracts Ushs'000
At start of year	-
Net fair value adjustment	16,505
Funds outflows from excluding switches	(50,227)
Switches between investments with DPF and investments without DPF	208,512
Service fee income	(3,223)
At the end of the year	**171,567**

	Insurance contracts	Investments contracts with DPF	Reinsurance share of insurance contract liabilities	Total
At 31 December 2018	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
At start of year	12,886,499	208,512	6,024,246)	7,070,765
Movement in actuarial reserves (charged to P&L)	(4,909,962)	(36,945)	6,024,246	(1,607,761)
At end of year	**7,976,537**	**171,567**	**(2,685,100)**	**5,463,004**
At 31 December 2017				
At start of year	11,646,760	1,888,904	(4,614,97)	8,920,691
Movement in actuarial reserves (charged to P&L)	1,239,739	(1,680,392)	(1,409,273)	(1,849,926)
At end of year	12,886,499	208,512	(6,024,246)	7,070,765

8. Employee benefits

Incentive scheme	2018 Ushs'000	2017 Ushs'000
Short-term employee benefits		
At start of year	**340,000**	480,161
Additional provision raised	**44,049**	198,705
Utilised during the year	**(313,556)**	(338,866)
At end of year	**70,493**	480,161

All outflows in economic benefits in respect of short-term employee benefits are expected to occur within one year.

Leave pay and incentive scheme

In terms of the group policy, employees are entitled to accumulate a maximum of 20 days compulsory leave. Compulsory leave has to be taken within 12 months of earning it.

In terms of the Company policy, selected employees at the discretion of directors receive an incentive bonus which is payable every year. The incentive bonus relates to employee, corporate and divisional performance and is approved by the Managing Director.

9. Insurance and other payables

	2018 Ushs'000	2017 Ushs'000
Outstanding claims	**246,728**	1,699,836
Reinsurance payables	**2,169,221**	1,562,886
Commission income payable	**290,531**	113,376
Accruals, provisions and other liabilities	**2,904,375**	1,120,425
	5,610,855	4,496,523
Insurance contract liabilities		
Payable under deposits administration contracts	**171,567**	208,512
Life - fund contract liabilities (note 7)	**7,976,537**	12,886,499
Reinsurer's share of insurance contract liabilities (note 7)	**(2,685,100)**	(6,024,246)
	5,463,004	7,070,765

Amounts payable under deposit administration contracts

Deposit administration contracts are recorded at amortised cost as determined by the actuarial valuations. Movements in amounts payable under deposit administration contracts during the year were as shown below.

	2018 Ushs'000	2017 Ushs'000
At 1 January	**208,512**	1,888,904
Claims and surrenders	**(50,227)**	(1,956,704)
Net movement in actuarial reserves	**13,282**	276,312
	171,567	208,512

10. Share capital

Share capital

	2018 Ushs'000	2017 Ushs'000
Authorised		
30,000 ordinary shares of USh 100,000 each	**3,000,000**	3,000,000
Reconciliation of number of shares issued:		
Reported as at January 01, 2018	**3,000,000**	3,000,000

11. Reserves

Statutory reserves

Contingency reserve

	2018 Ushs'000	2017 Ushs'000
At 1 January	**3,816,037**	3,440,356
Additional transfer	**356,097**	375,681
At 31 December	**4,172,134**	3,816,037

Section 47(2c) of the Ugandan Insurance Act requires an annual transfer to contingency reserves equal to 1% of the gross premiums. In the current year, the Company has complied with this requirement through the transfer to the contingency reserves representing 1% of gross written premiums for the year.

Capital reserve

	2018 Ushs'000	2017 Ushs'000
At 1 January	**1,186,195**	926,858
Additional transfer	**2,401**	259,337
At 31 December	**1,188,596**	1,186,195

As required by Section 6(4) of the Ugandan Insurance Act, the annual transfer to capital reserves of Ushs 2.4 million (2017: Ushs 259 million) representing 5% of the profit for the year has been reserved.

12. New business

	2018 Ushs'000	2017 Ushs'000
New business premium income from insurance contracts	**14,265,000**	17,813,418
Comprising:		
New business - recurring Premium	**7,284,000**	8,599,308
Group Risk Premium	**2,237,000**	1,377,188
New business - single Premium	**4,744,000**	7,836,922
Total new business	**14,265,000**	17,813,418

13. Premiums

	2018 Ushs'000	2017 Ushs'000
Insurance premiums from insurance contracts	**35,609,656**	37,568,103
Reinsurance premiums	**(14,373,468)**	(15,138,293)
Net insurance premium revenue	**21,236,188**	22,429,810
Comprising:		
Recurring	**26,286,926**	22,928,559
Group life	**4,112,688**	3,487,347
Single premium	**5,210,042**	11,152,197
	37,568,103	37,568,103
Less: Premium ceded to reinsurers	**(14,373,468)**	(15,138,293)
Net premium income from insurance contracts	**21,236,188**	22,429,810

14. Investment income

	2018	2017
Financial assets held at armotised cost	Ushs'000	Ushs'000
Investment income	**1,449,736**	2,130,888
Interest income on current accounts	**35,548**	75,461
Total investment income	**1,485,284**	2,206,349

15. Other income

	2018 Ushs'000	2017 Ushs'000
Sundry (losses) / income	-	7,513
Exchange gains and losses	**69,566**	(21,359)
Total other income	**69,566**	13,846

16. Claims and policyholders' benefits

	2018 Ushs'000	2017 Ushs'000
Death and physical health claims	**14,167,742**	14,547,495
Insurance claims recovered from re-insurers	**(9,014,682)**	(9,838,134)
Net insurance benefits and claims	**5,153,060**	4,709,361

17. General marketing and administration expenses

	2018 Ushs'000	2017 Ushs'000
General marketing and administration expenses include the following:		
Staff costs	**3,050,743**	2,594,811
Subscriptions	**2,867,327**	1,998,361
Fees paid for administration services	**2,496,986**	2,363,204
Advertising	**763,072**	731,193
Other expenses	**961,105**	851,097
Amortisation (note 3)	**106,479**	52,848
Travel – local	**166,768**	296,990
Directors 'fees	**247,506**	162,792
External audit fees	**162,605**	114,480
Internal audit fees	**75,101**	140,611
Office rent	**209,149**	322,700
Insurance	**39,930**	127,007
Other staff costs	**159,111**	96,643
Training	**18,337**	145,359
Depreciation (note 2)	**155,108**	84,496
Repairs and maintenance expense	**62,982**	9,489
Profit on sale of equipment	-	-
Bad debts	**(94,146)**	509,930
Profit share expenses	**3,514,520**	-
	14,962,683	10,650,545

18. Directors' emoluments

Executive

	2018 Ushs'000	2017 Ushs'000
Directors' fees	**247,506**	162,792
Key management compensation		
Salaries and wages	**1,035,609**	800,195
Gratuity	**133,152**	120,972
Other staff costs	**134,424**	64,912
National Social Security Fund Contributions	**94,904**	80,019
	1,398,089	1,066,098

19. Cash generated from operations

	2018 Ushs'000	2017 Ushs'000
Profit before income tax	**87,720**	7,208,685
Adjustments for:		
Policyholders liability transfers (Note 7)	**(1,607,761)**	(1,849,926)
Profit on disposal of assets	**-**	-
Investment income (Note 14)	**(1,485,284)**	(2,206,349)
	(3,005,325)	3,152,410
Adjustments for non-cash items:		
Depreciation of property and equipment	**261,587**	185,878
Working capital changes:		
Prepayments, insurance and other receivables	**1,342,328**	7,863,540
Insurance and other payables	**5,390,227**	(10,030,946)
	6,732,555	(2,167,406)
Cash generated from operations	**3,988,817**	1,170,882

20. Income tax expense

	2018 Ushs'000	2017 Ushs'000
Current income tax	**212,646**	2,172,544
Deferred income tax	**(172,955)**	(150,599)
Income tax expense	**39,691**	2,021,945

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2018	2017
	Ushs'000	**Ushs'000**
Profit before income tax	**87,720**	7,208,685
Tax calculated at the statutory income tax rate of 30% (2015: 30%)	**26,316**	2,162,606
Tax effects of:		
Income not subject to tax	**-**	-
Income taxable at 20% as a final tax	**212,646**	(499,029)
Expenses not deductible for tax purposes	**(199,271)**	(499,819)
Income tax expense for the year	**39,691**	2,021,945
Income tax recoverable		
Tax payable at start of year	**800,456**	213,832
Current income tax charge	**212,646**	2,172,544
Tax paid	**(1,404,728)**	(1,585,920)
Tax (receivable)/ payable at end of year	**(391,626)**	800,456

21. Deferred income tax

	At start of the year	SCI Charge	At end of the year
Year ended 31 December 2018	**Ushs'000**	**Ushs'000**	**Ushs'000**
Deferred income tax liabilities			
Accelerated depreciation	**36,962**	**4,336**	**41,298**
Deferred income tax assets			
Movement in reserves and provisions	**(2,080,016)**	**311,703**	**(1,768,313)**
Tax losses	**-**	**(488,994)**	**(488,994)**
Net deferred income tax asset	**(2,043,054)**	**(172,955)**	**(2,216,009)**
Year ended 31 December 2017			
Deferred income tax liabilities			
Accelerated depreciation	31,406	5,556	36,962
Deferred income tax assets			
Movement in reserves and provisions	(1,923,861)	(156,155)	(2,080,016)
Net deferred income tax asset	(1,892,455)	(280,904)	(2,043,054)

22. Related party disclosures

The Company is controlled by Liberty Holdings Limited, an entity incorporated in South Africa, which owns 51% of the Company's shares. The ultimate controlling Company is Standard Bank Group Limited, an entity incorporated in South Africa. There are other companies that are considered related parties by virtue of common shareholdings and directorships.

Summary of related party transactions:

Banking arrangements with subsidiaries of the Ultimate holding Company

- The The Company makes use of banking facilities provided by Stanbic Bank Uganda Limited (SBUL), a subsidiary of Standard Bank South Africa. At 31 December 2018, cash and cash equivalents amounting to Ushs 2,513 million (2017: Ushs 3,043 million) were held with SBUL. During the year, the Company incurred bank charges of Ushs 17.3million (2017: Ushs 35.8 million) on the bank accounts it maintains with SBUL.

Administration fees

The Company receives administration and management support from Liberty Holdings in South Africa and Muljibhai Madhvani & Co. Ltd for which charges are levied. Details of those charges are set out in the table below:

	2018	2017
Fees paid for administration services:	**Ushs'000**	**Ushs'000**
Muljibhai Madhvani & Co. Ltd	**398,660**	482,118
Liberty Holdings Limited (South Africa)	**2,098,326**	1,516,243
Deferred income tax assets	**2,496,986**	1,998,361
Due to related parties		
Liberty holdings limited (South Africa)	**2,899,000**	1,521,060
Liberty Life Assurance Kenya Ltd	**63,649**	75,219
Stanbic Bank Uganda Limited	**3,179,032**	-
Deferred income tax assets	**6,141,681**	1,596,279
Due from related parties		
Liberty Life Limited (South Africa)	-	246,472
	-	
	-	**246,472**

The disclosures on directors' emoluments has been included in note 18.

23. Contingencies and commitments

a) Legal matters

The Company is involved in a number of cases which arise from day to day operations. The outcome of these cases cannot be readily ascertained as at the date of this report and the directors are of the opinion, based on the independent professional legal advise, that the outcome of these matters will not give rise to material legal costs to the Company. Accordingly, no provisions have been recognised in these financial statements.

b) Commitments under non-cancellable leases

Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

24. Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

a) Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, and comparison with similar instruments for which market observable prices exist.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, and credit spreads used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

Management Team Contacts

Managing Director
Almeida Joseph
Direct Line: +256 752 799 911
Email: almeidaj@liberty.co.ug

Head of Risk and Compliance
Frank Balabyeki
Direct Line: +256 312 233 794
Mobile: +256 772 962 942
Email: balabyekif@liberty.co.ug

Country Head Finance
Joan Musiime Mwondha
Direct Line: +256 312 233 803
Mobile: +256 772 524 153
Email: musiimej@liberty.co.ug

Country Head for Health
Frank Tindyebwa
Direct Line: +256 312 202 695
Mobile: +256 776 302 377
Email: frank.tindyebwa@libertyhealth.net

Head Corporate Sales; Life & Health
Cissy Nanfuka
Direct Line: +256 312 202 695
Mobile: +256 758 606 696
Email: cissy.nanfuka@libertyhealth.net

Head Retail and Marketing
Agatha Namara
Direct Line: +256 312 233 803
Mobile: +256 772 602 779
Email: namaraa@liberty.co.ug

Liberty In Pictures

Meeting with the Brokers

Liberty Cultural Day

Liberty Exhibition

fiRe awards


Strategy 2020


Financial FiRe Reporting
Awards - Uganda
2018 Financial Reporting Award
Winner
Insurance Services
Presented to
Liberty Life Assurance Uganda Limited
for
Outstanding Achievement in Financial Reporting
CPA
cma
Uganda
Securities Exchange

LIBERTY

LIBERTY LIFE ASSURANCE UGANDA LIMITED

2nd floor, Madhvani Building
Plot 99-101 Buganda Road
P.O Box 22938 Kampala Uganda

Tel: +256 414 233 794 / +256 312 304 000
Fax: +256 414 254 708 (0312) 233 794/ 803
Email: libertylife@liberty.co.ug

www.liberty.co.ug

Design by: www.thenomad.agency