

Annual report 2019

**"Enabling financial freedom
by offering practical personal
finance management advice
and tools"**



LIBERTY

ADVICE INSURE INVEST HEALTH



LIBERTY LIFE ASSURANCE UGANDA LIMITED

This is a Liberty Life Assurance Uganda Limited report incorporating financial and non-financial information for the year ended 31 December 2019.

The theme for this year's annual report is
"Enabling financial freedom by offering practical personal finance management advice and tools"

ADVICE INSURE INVEST HEALTH





LIBERTY

CHANGING REALITIES WITH LIFE INSURANCE

When life happens,
**good advice goes a
long way**

Be prepared for life's ups and downs by turning to us for financial advice, which is based on real human experiences.

We want to help you make tangible strides toward your unique direction in life. This is why we provide a holistic and supportive approach to life-based financial planning and good advice.

Liberty Life Assurance Uganda Limited, Reg No. IN/023/2020 is regulated by the Insurance Regulatory Authority of Uganda

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Our operating Universe

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Placing the client at the heart of our business



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Sustainability report

Creating societal value and preserving our natural capital



Tribute to Sir Donald Gordon, the founder of Liberty

Sir Donald Gordon established Liberty in 1957, offering Individuals the opportunity to provide for themselves and their families at the end of their working lives or in the event of their death. The company he founded grew to become one of the leading life assurance companies in Africa.



Liberty continues to be guided by the principles Sir Donald set for himself and employees:

- I will remember the humanity in what we do
- I will help people leave a legacy for their families
- I will make Liberty not just our name but what we do.

The Liberty community was saddened by Sir Donald's passing at the age of 89 in November 2019. He was one of only a handful of South Africans who built a truly successful international business, transforming the African continent Insurance landscape.

The South African Sunday Times named Sir Donald Businessman of the Year in 1968. He was also awarded honorary doctorates from the universities of the Witwatersrand and Pretoria. In 1999 he was named "The Achiever of the Century in South African Financial Services" by the Financial Mail, the leading South African business journal, and in 2000 he received a Special Award for Lifetime Achievement at the Entrepreneur of the Year Awards

His legacy will live on, not only through Liberty as we continue to apply his principles and strive for financial freedom for all, but through his philanthropic contributions, both in Africa and the United Kingdom.

Significant were Sir Donald's many small acts of kindness, generosity and humanity that went largely unnoticed except for the people directly impacted by them. He lived a full and meaningful life, making a difference to the lives of many.

Value created in 2019

Strategic value drivers

Value created in 2019

Client and financial adviser experience



Placing the client at the heart of our business and understanding the critical role our financial advisers play

DEATH AND DISABILITY CLAIMS PAID

Ushs 3.76Bn
(2018-ushs.4.54Bn)

UNIT TRUST FUND INVESTMENT RETURNS.

7%

UNIT TRUST FUND INVESTMENT PAY OUT.

Ushs 47.6M
(2018 Ushs 89.1M)

Employee engagement



Providing an environment for our people to thrive

SALARIES AND BENEFITS PAID

Ushs 2.98Bn
(2018-Ushs 3.05Bn)

Extensive employee wellness programme

EXTERNAL TRAINING AND DEVELOPMENT COSTS.

Ushs 45.7M.
(2018-Ush 18.3M)

Risk and conduct



Enhancing our reputation and building trust

TAXES PAID TO URA - 2019

Ushs 2.6Bn
(2018-Ushs 3.1Bn)

Participation and engagement with industry regulators and associations

ACTUAL CAPITAL ADEQUACY RATIO

2.91
(2018-3.12)

Financial outcome



Delivering competitive sustainable returns

NET PROFIT

Ushs 2.64Bn
(2018-Ushs 48M)

SHARE HOLDERS EQUITY

Ushs 14.02Bn
(2018- Ushs 11.37Bn)

RETAINED EARNINGS

Ushs 5.1Bn
(2018-Ushs 3.01Bn)

SEE impact



Creating societal value and preserving our natural capital

FINANCIAL LITERACY PROGRAMME LAUNCH AND SPEND

Ushs 29M
(2018-NIL)

REACH OF FINANCIAL LITERACY PROGRAMMES







>230
Clients

WORKFORCE GENDER DIVERSITY

56% - FEMALE,
44% - MALE
(2018 50% FEMALE, 50% MALE)

2019 performance dashboard and 2020 targets

2019

	Metrics		Actual	Budgets	Achievement	2020 Budget
	GROSS WRITTEN PREMIUMS	>	Ushs 41.6BN (2018: Ushs 35.6BN)	Ushs 48.2BN	●	Ushs 49.8BN
	INVESTMENT AND OTHER INCOME	>	Ushs 1.3BN (2018: Ushs 1.5BN)	Ushs 2.2BN	●	Ushs 1.7BN
	NET CLAIMS PAID	>	Ushs 5.65BN (2018: Shs 5.15BN)	Ushs 7.3BN	●	Ushs 8.4BN
	TOTAL ASSETS	>	Ushs 30.4BN (2018: Ushs 31.3BN)	Ushs 38.7BN	●	Ushs 39.5BN
	VOLUNTARY STAFF TURNOVER	>	17.44% (18%)	< 14%	●	< 14%
	NUMBER OF LIVES COVERED	>	2019: 1,283,777 (2018: 1,442,770)		●	

● Achieved

● Not Achieved

Our operating universe in 2019



Clients and advisers

Today's clients expect seamless, intelligent processes from financial services providers. An enhanced client experience is at the heart of these expectations. Technologies and digital processes that deliver against these expectations must be implemented with a client-first rather than an administration-first mindset.

As the millennial generation matures and enters its peak buying power, digital and more automated ways of doing business will become a fundamental part of day-to-day workflows. Although face-to-face interaction may be less common, traditional relationships between advisers and clients remain important.

Increasing client longevity demands that insurers develop new products and provide the best advice while managing risks for shareholders.

Adviser fee models are being transformed, increasing alignment with client needs and enhancing product transparency.

Generational changes also extend to employees whose expectations of employers and employment continue to contrast with existing practices.

At Liberty Life Uganda Limited, there is a dedicated team of business development Actuaries and other professionals who meet and work with clients to provide solutions that are tailored to their needs.



Technology

Technology advancement is currently driving change across all industries and economies.

Insurers are applying these technologies to their operations in three key areas:

- Embracing cloud-based infrastructure, offering faster innovation, flexible resources and economies of scale
- Automating business processes (digital transformation) and simplifying them, and
- Selecting programmes and systems to meet client-centric strategies.

It is not the technologies themselves but rather how they are designed, developed and implemented to serve clients and advisers – that will determine the success of client-centric service organisations. The technologies will empower clients, advisers and employees, and will dominate the industry for many years to come.

Online and digital marketing processes are necessary to reach online buyers to sustain growth.

Synergies have been created in terms of IT platforms and processes across all Liberty Life African operations.



Regulation

The company is supervised and regulated by the Insurance Regulatory Authority of Uganda that was established under the insurance Act (CAP 13) Laws of Uganda, 2000 (As amended) with the main objective of ensuring effective administration, supervision, regulation and control of business of insurance in Uganda.

We further operate under the guidelines of the insurance Act 2017 that came into force on 30th March 2018. Liberty is licenced under license number IN/023/2020

The quarterly and annual returns, which are the set of statutory market conduct returns submitted to the IRA, continue to be refined and form part of the off-site supervision framework for the company.

IFRS 17 Insurance Contracts will be effective for reporting periods beginning on or after 01 January 2021 and will standardise the global insurance accounting landscape, improving risk management, transparency and comparability of insurance contract information.

The company is committed to ensuring continued regulatory compliance.



The Ugandan economy

According to the 2019 Insurance Regulatory Authority Quarter 4 Report, there was a 12.5% increase in the gross written premiums to Shs 963Bn in 2019 from Shs 856Bn in 2018. The life Insurance business contributed 28% of the 2019 gross premiums.

Despite the above growth, Uganda's insurance penetration is far below the sub Saharan Africa average clocking 0.84% in 2018. South Africa has the highest insurance penetration rate in Sub Saharan Africa estimated at about 16.99%, followed by Namibia at 6.69%, Lesotho at 4.76% and Mauritius at 4.18%. Insurance penetration rate in Kenya is estimated at about 2.83% while that of Rwanda is at 1.74%.

Stakeholders are optimistic that Uganda's figure will hit at least 2% by 2022. Given the above statistics, Insurers have to develop innovative products that meet the customers' needs in order to increase the market penetration.

In 2019, the company launched a Liberty Mind My Money financial literacy program the first of its kind in Uganda. This is a complimentary, personal financial management experience designed for ordinary individuals who require the skills and tools to navigate the world of finance and investment, the programme aims to provide valuable insights about financial concepts, products and services they can use to make informed decisions and achieve their financial goals.

Who we are

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.

"Whether you're a small business, large corporate or affinity group with many members, we have experience in working with our partners to understand their needs. We believe that in times of unfortunate events, the last thing our customers should worry about is finances."



Our Purpose

To make a difference in people's lives by helping them orchestrate their financial freedom. This is our passion.



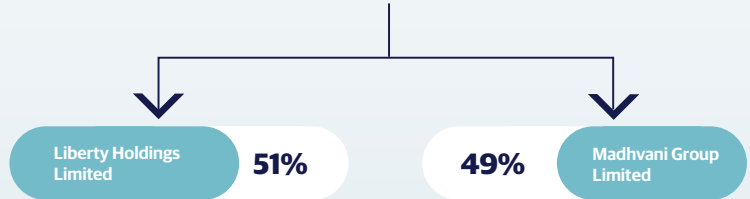
Our Vision

To be the trusted leader in insurance and investment in Africa and other chosen markets.



LIBERTY

Liberty, through both tied and independent financial advisers, offers clients a range of insurance and savings products, allowing them to plan for the worst, but prepare for the best in their life journeys. With a strong trusted brand for over 10 years, Liberty is one of the largest providers of long-term insurance solutions to Uganda's market.



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.

Our Values

Customer Service	We provide service level agreements where we document our promise in terms of service, timelines for delivery.
Claims Settlement	We promise claims settlement within a week of receipt of all respective documentation.
Team.	We have qualified team ready to serve our clients at any one time.
Premium Payment Options	We provide flexible premium payment options like mobile money, points of sale and debit orders and monthly instalments.
Innovation	We constantly work at keeping in line with the changes in market demands and needs in terms product offerings and service.
Professionalism	We guarantee a professional engagement with our mutual clients and ourselves. We also guarantee non participation in price wars so as to provide sustainable insurance solutions to our clients
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

Five Year Strategic Value drivers

We remain resolute in developing competitive value propositions for our clients, driving efficiency through simplification, managing risk appropriately, deploying capital effectively and pursuing profitable growth opportunities.

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



Customer segments; Affinities, worksites, retail, SMES, Corporates and Banks



Focus on Bancassurance – new space to grow following operationalisation of the bancassurance regulations.



Agriculture sector – partner with other insurance partners to grow the economy



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



Digitization – leverage from technology. Liberty has a modern technology plan for the future



Channel productivity i.e. in terms of profitability, capacity and manpower

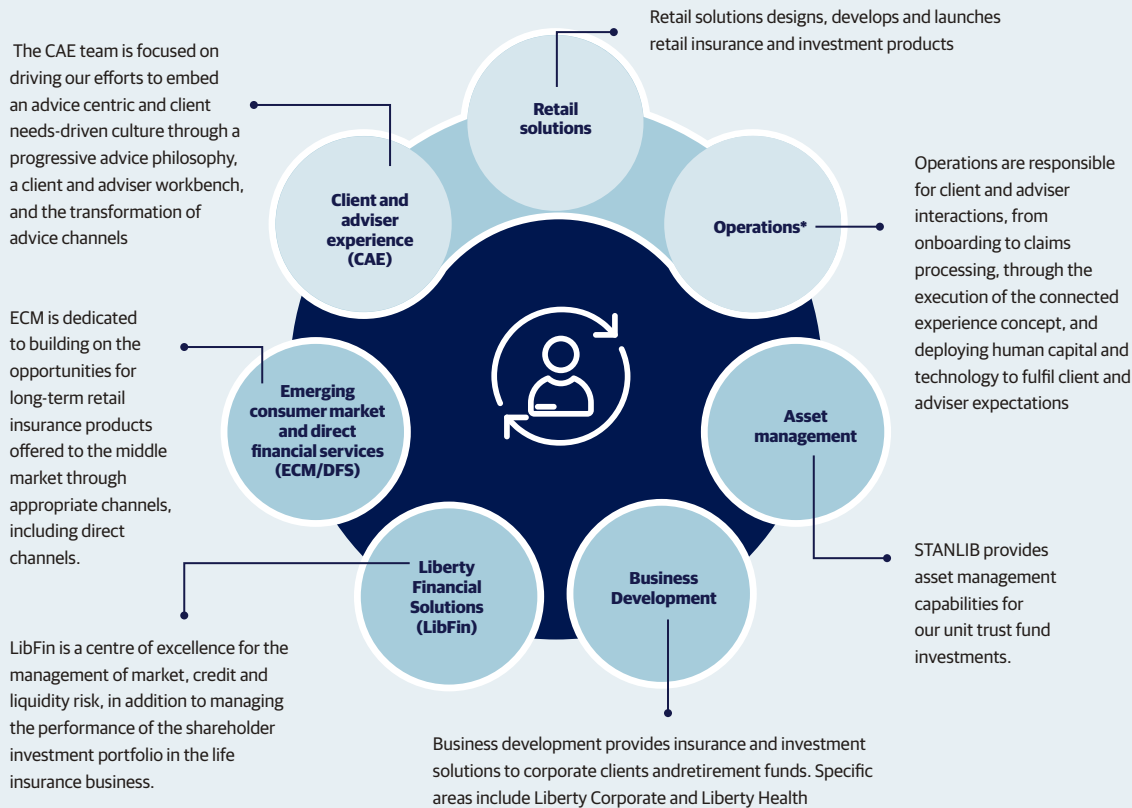


Customer centricity – provide valuable products and excellent customer service



Our operating model

Our operating model is designed to provide our clients and advisers with an experience that builds strong, long-term relationships throughout our clients' life journeys.



Supported by corporate functions

INTERNAL
AUDIT

RISK AND
ACTUARIAL

LEGAL AND
COMPLIANCE

INFORMATION
TECHNOLOGY

HUMAN
CAPITAL

MARKETING AND
COMMUNICATIONS
FINANCE





THE 3 MOST IMPORTANT MONEY LESSONS TO TEACH KIDS

1

DELAYED GRATIFICATION

Teach your kids that they may have to wait to buy or have something they want. The demand for instant gratification can result in them being unprepared for the real world where you don't always get what you want immediately. It's also a good skill to create a sound financial mindset. Teach them that wants, and needs are different.

2

MONEY IS FINITE

Children need to understand that money is not like air and mud. If you give it away or spend it, there is no more. Teach your kids **using spending jars and money boxes** to save up and make decisions about when to spend money and when they have to wait.

3

TEACH THEM ABOUT COMPOUND INTEREST

For older children in their pre-teens and teens, use a small amount of money (\$10) to teach them how compound interest works. Tell them that the same \$10 can grow over time if left in a compounding account because money earns interest on top of the interest during the period it is saved.

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 ambulance 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 and total disability
- Temporary and total disability
- Permanent Health insurance
- Critical illness
- Group funeral
- Family support
- Tomb stone

INDIVIDUAL LIFE

INSURANCE SOLUTIONS

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

Differentiators

Working together to make Africa healthier

AFRICA FOCUS



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COUNTRIES

1
STANDARDISED PRODUCT

LOCAL RELEVANCE

- OFFICES**
- CURRENCY**
- COMPLIANCE**
- TAILORED SOLUTIONS**

Provider Network

7000
PROVIDERS

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

EXPERTISE

- CLINICAL**
- FINANCIAL**
- DIGITAL**
- PEOPLE**
- ACTUARIAL**

1
IT SYSTEM

TECHNOLOGY

- ROBUST DATA**
- DIGITISATION**
- FUTURE PROOF**

VALUE

1
EMPLOYEE VALUE PROPOSITION

- MULTICOUNTRY RISK POOLING**
- REPLICABLE MODEL**
- WORLD CLASS SOLUTIONS**

In-Patient Health Cover

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

Hospital treatment and related services

- Hospital accommodation in a general ward
- In-hospital fees for doctors, specialists, surgeons, anaesthetists, physiotherapists, or other relevant specialist consultations. Operating theatre charges.
- Apparatus, material, and ward and theatre medicines used in hospital.
- Accommodation 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.

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.

Specialised radiology

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

Maternity childbirth

In-hospital maternity benefits, including:

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

Neonatal care

Neonatal care required for a newborn baby including:

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

External medical appliances

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

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 a general ward.

Prostheses

Artificial limbs and internal prostheses, such as:

- Orthopaedic prostheses, 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

Psychiatric hospitalisation

- Psychiatric treatment received as an in-patient in a psychiatric unit of a hospital. All treatment must be administered under the direct supervision of a 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 centre, 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 transplants 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

Registration is required to access chronic benefits

Acute conditions	Maternity	Dentistry and optometry	Chronic benefit
Consultations <ul style="list-style-type: none"> GPs Specialists Acute medicines <ul style="list-style-type: none"> Medically necessary medicines prescribed by a doctor. Procedures <ul style="list-style-type: none"> 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. Auxiliary services <ul style="list-style-type: none"> Physiotherapy Biokinetics Chiropractics Psychology Occupational therapy Speech therapy/audiology Hearing aid/acoustician Podiatry Dietician Orthotist/prosthetist 	Additional day-to-day benefits to cover the costs of out-of-hospital maternity care, including: <ul style="list-style-type: none"> Consultations Radiology (such as ultrasounds) Blood tests 	Dentistry <ul style="list-style-type: none"> 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, orthodontic treatment* and dental surgery). <p>* Restricted to insured persons 21 years and younger.</p> Optometry <ul style="list-style-type: none"> Eye examination Frames and lenses (including contact lenses) every 2 years 	Chronic medicines <p>Once registered with our Chronic Disease Programme, the policyholder's medicines will be paid from the Chronic Medicine limit.</p> <p>To register with the Programme:</p> <ul style="list-style-type: none"> Together with your doctor, complete a chronic medication form. Submit this form to us for approval. Extended chronic benefit <p>Applies in addition to other day-to-day benefits and in addition to medicine for chronic disease.</p> <p>Cover includes consultations, pathology and basic radiology for patients registered on the Chronic Disease Programme.</p>

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 requires 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 evacuation would be to obtain treatment to avoid death or serious impairment of the insured person's immediate or long-term health.

Compassionate travel	Repatriation of mortal remains
<p>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.</p>	<ul style="list-style-type: none"> 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.



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	Permanent and Total Disability	Group Funeral	Critical Illness
Group Life Assurance 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.	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.	The funeral benefit pays a lump sum in the event of death of the member, spouse & children before the member's retirement. This benefit is designed to assist with the cost associated with the funeral arrangements.	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	Tombstone	Group Funeral	Temporary and Total Disability
This 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	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.	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.	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.

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 solution will give you & 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.



SOME OF OUR LOCAL CLIENTS





SOME OF OUR INTERNATIONAL CLIENTS





Our long-term strategy is to deliver
our purpose of **"Improving
people's lives by making their
financial freedom possible".**

Financial definitions

Gross written premium revenue	Amount of money charged by the insurer to the policy holder for the coverage set forth in an insurance policy
Premium income ceded to reinsurers (Reinsurance premiums ceded)	Amount of money charged by another insurance company (reinsurer) to the insurer to cover/hedge against risk on policies taken out especially where the primary insurer deems the risk too large for it to carry.
Net insurance premium revenue	Gross written insurance premium revenue less premium income ceded to reinsurers.
Investment and other income	Income earned on non- underwriting activities such as interest income earned on investments in financial instruments.
Gross claims and policy holder benefits	Total amount of money paid or payable to an insured or insured's beneficiary for the benefits provided by the insurance contract or for coverage of an incurred loss.
Claims recovered from reinsurers	A portion of the gross claims and policy holder benefits that are claimed by the insurer from the reinsurance company as a result of the existing reinsurance arrangement (refer to definition (ii) above).
Net claims expense	Gross claims and policy holder benefits incurred less claims recovered from reinsurers.
Commission expense	A fee paid/payable by the insurer to a sales person, agent or broker for in exchange for his or her services in either facilitating, supervising, or completing a sale.
Commission income	A fee earned by the insurer on the premium ceded to the reinsurer.
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.
Value of New Business (VNB) written	present value at the point of sale of the projected stream of after-tax profits from that new business.
Return on equity	Earnings as a percentage of ordinary shareholders' funds.
Capital adequacy ratio	Level of funding/ capital required to satisfy a specified economic capital constraint such as settlement of liabilities.
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.
Combined ratio	Ratio of total expenses (Administrative expenses + Net Commission expense + Net claims expense) to the net insurance premium revenue.
Commission ratio	Ratio of net commission expense to 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.

Five year performance

Financial Highlights

Year	2019	2018	2017	2016	2015
Statement of comprehensive income (Shs'M)					
Insurance premium revenue	41,630	35,609	37,568	38,837	33,513
Reinsurance premium ceded	12,970	14,375	15,138	14,985	13,332
Net insurance premium revenue	28,660	21,236	22,430	23,853	2,0181
Investment and other income	1,057	15,55	2,192	3,997	3,446
Total income	2,9717	22,791	24,622	27,849	2,3627
Net claims expense	5,645	5,153	4,709	6,780	4,944
Net commission expense	3,856	4,195	1,947	3,152	3,140
Administration expenses	17,409	14,962	10,650	9,838	8,561
Profit before tax	3,664	87	7,209	6,309	7,348
Profit after tax	2,638	48	5,187	4,960	5,800
Statement of financial position (shs'M)					
Financial instruments	13,743	15242	17,578	20,206	24,932
Total Assets	30,402	31,345	38,701	46,508	42,810
Policy holder liabilities	7,198	8,148	13,095	13,356	15,424
Total liabilities	16390	19,971	20,527	29,548	25,343
Shareholders' Equity	14,012	11,373	18,174	16,960	17,467
Return on Equity	19%	0.4%	29%	29%	33%
Statement of cashflows (shs'M)					
Net cash from operating activities	36	4,069	1,499	2,830	1,086
Net cash from investing activities	1,208	1,977	2,532	4,386	-4,114
Net cash used in financing activities	-232	-	-4,960	-5,467	-
Total cash at the end of the year	5,872	4,860	3,840	4,769	3,019
Key ratios					
Reinsurance Ratio	31%	40%	40%	39%	40%
Net claims ratio	20%	24%	21%	28%	24%
Net commission expense	13%	20%	9%	13%	16%
Gross expense ratio	42%	42%	28%	25%	26%
Net expense ratio	48%	70%	47%	41%	42%
Combined ratio	82%	114%	77%	83%	82%

Financial Review

Joan Musiime Mwendha
Country Head Finance

We continue to manage our financial and non-financial resources in a responsible manner in order to deliver competitive sustainable returns.



Primary financial performance metrics

There are three primary metrics against which we measure our financial performance. Performance against these targets in 2019 is summarized below.

Value of new business
(VoNB) margin



The Company's VoNB margin increased to a near breakeven point of negative 0.2% from negative 6.9% as at 31 December 2018.

This was mainly attributable to the 26% growth in new business sales year on year (2019: shs 18 billion compared to 2018: shs 14.3billion) and due to improved cost to income ratio. Improving margins and increasing volumes remain a primary focus of management.

Return on
Equity



The RoE improved, increasing to 19% from 0.4% in 2018. This was mainly due to net earnings increase by over 100% from a profit of shs 48 million in 2018 to a profit of US\$2.6 billion in 2019 attributed to 30% growth in total income year on year and an overall improvement in the net cost-to-income ratio from 55% in 2018 to 49% in 2019.

Achieving sustainable returns underpins our ability to fulfil our promises to policyholders and other stakeholders.

Capital
Requirement Cover

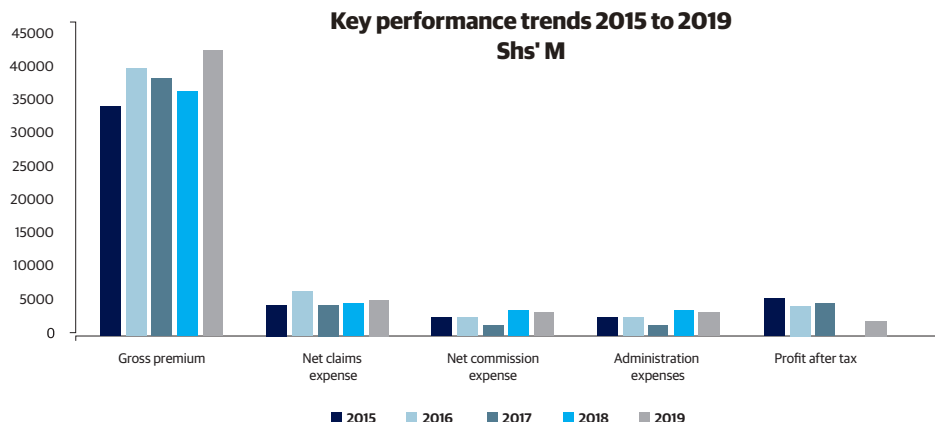


There was a marginal increase in our solvency capital requirement cover ratio to 1.96times compared to 1.95 times as at 31 December 2018. This change in the CAR cover was due to the 33% increase in both the admissible shareholder capital available for solvency and the CAR.

The CAR amount increased by 33% to US\$3.985 billion from US\$3.12 billion in 2018. The CAR increased in line with the new business growth.

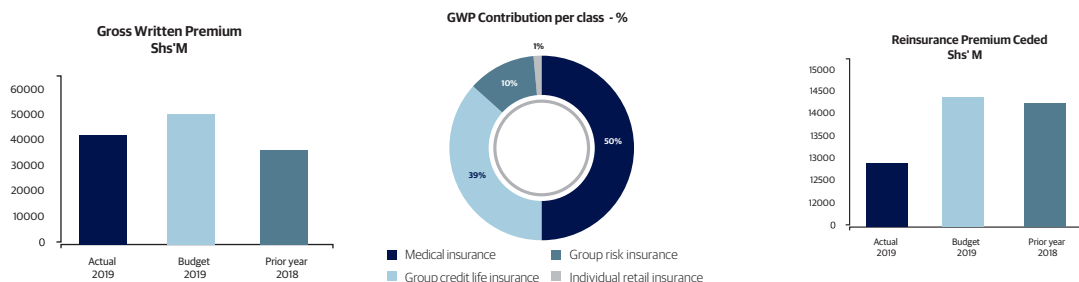
The CAR cover of 1.96 times is below the Company's internal target range of 2.5 times to 3.5 times cover but still above the risk appetite for solvency of 1.5 times solvency.

2019 Financial performance overview



The net profit for the year ended 31 December 2019 of Ushs 2.6 billion increased by over 100% on 2018, reflecting a good operational performance in the current economic climate and evidencing our continued focus on our strategic value drivers. This strong performance was supported by good growth across a broad spectrum of financial metrics such as net written premium, return on equity and value of new business.

Statement of comprehensive Income



Insurance premium revenue

Gross written premium for the year of Ushs 41.6 billion is 14% lower than budgeted premium of Ushs 48 billion and 17% higher than previous year's premium of Ushs 35.6 billion with the medical insurance department posting Ushs 20.84 billion (budget Ushs 16.6 billion) and Life insurance department posting Ushs 20.79 billion (budget Ushs 31.5 billion).

Contribution of the key classes of business to the year's GWP

The growth on prior year is mainly explained by the 26% growth in the new business written in 2019 of Ushs 18 billion compared to Ushs 14.3 billion in 2019. The gap 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 compared to that initially budgeted.

Reinsurance premium ceded

The reinsurance ratio closed at 31%, which is in line the current year performance on gross written premium. 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.

10% decrease in the reinsurance expense year on year (2019: Ushs 12.9 billion Vs 2018: shs 14.4 billion) is mainly due to the change in the health reinsurance treaty for 2019 to increase the Company's net retention to 15% from 5% in the prior year, thus lowering the reinsurance expense.

Review of the 2019 reinsurance arrangements

This was as below;

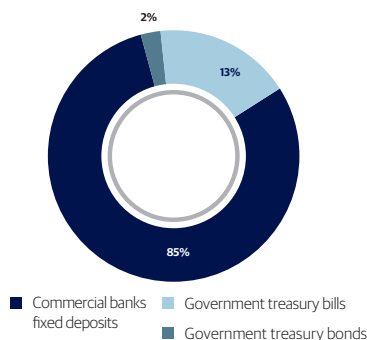
	Non-Medical Risk Business only	Medical Risk Business only	TOTAL
	Ushs'm	Ushs'm	Ushs'm
Premiums paid	(2,468)	(10,502)	(12,970)
Claim recoveries	267	9,819	10,086
Reinsurance commission	-	-	-
LLN share of reinsurance profit	935	-	935
Decrease in net reinsurer reserves held by LLAU	(28)	(64)	(92)
Reinsurance Profit(Loss)	(1,294)	(747)	(2,041)

The reinsurance loss to the Company in 2019 was Ushs 2 billion as shown in the table above. This was mainly due to low claim recoveries from reinsurers on the non-Medical reinsurance due to better claims experience on the reinsured portion of the business.

The reinsurance profit share is the experience refund on the ZEP Re led life reinsurance treaty. The decrease in the net reinsurance reserves is the change in the credit taken by LLAU in reserving due to having reinsurance.

In general, reinsurance losses are expected as it is not uncommon to cede some profits to reinsurers in exchange for risk protection. Nonetheless, reinsurance is important to mitigate, amongst other things, solvency risk and to reduce earnings volatility. However, the reinsurance loss should be carefully managed down so that it does not reduce earnings materially. The reinsurance terms and arrangements are reviewed regularly to ensure the cost of reinsurance is justified by the benefits of reinsurance obtained by Company namely risk protection and technical support and services. The Company carries out such reinsurance reviews annually in order to continually optimize its reinsurance arrangements.

Financial Investments category - %



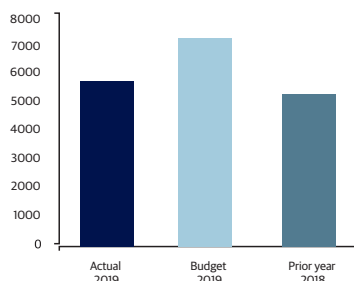
Return on Investment

The total investments held as at year end were shs 13.6 Billion; comprised as below;

The performance of the investment fund was largely stable during the year with a weighted average rate of return of 11.4% 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.

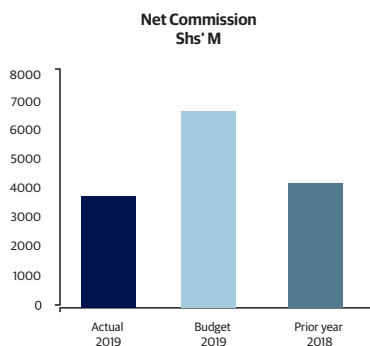
Net Claims
Shs'M



Net claims expense

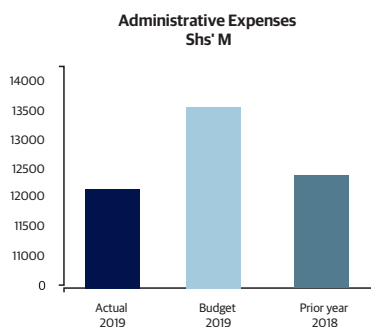
The net claims ratio was 20% compared to 24% in the prior year and a budget of 22%. This ratio is a measure of the claims paid in relation to the net premium earned; which is important for the Company to assess the profitability of the various classes of business offered as to devise better claims management systems enable achievement of both the customers' and the Company's objectives.

The net claims incurred for the period were shs 5.6BN, 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.



Net commission expense

The net commission ratio reflects the costs of business acquisition. The net commission ratio for the period was 13% compared to 20% in the prior year and a budget of 20%. The year on year decrease in the commission ratio was mainly driven by one huge health client with annual premium income of shs 6.7 Billion that came through a direct channel hence no commission paid. The variance on budget is in line with the budget variance on gross written premiums thus no exceptions were noted.



Administrative expenses

The expense ratio enables management measure how much of the net written premium is used to cover operational and administrative expenses. This ratio was maintained at 42% for both 2019 and 2018 as there were no major changes in the expense drivers year on year. Management is committed to reduce costs in a sustainable manner in line with the set targets.

Combined ratio

The combined ratio decreased by 29% to 82% in 2019 compared to 114% in 2018.

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 decrease 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 2019 was shs 30.4 billion. This was mainly comprised of 45% investment in financial instruments, 23% prepayments, reinsurance and other receivables and 18% cash and bank balances.

There was no significant change in the total assets value year on year with only a 3% decrease noted arising from liquidation of matured investments to settle planned company obligations. 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 18% to Shs 16.4 billion in 2019 from Shs 19.9 billion in 2018. 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 2019, the Company's CAR was 3.985 (2018: 3.12) which is above the stipulated regulatory minimum CAR requirement of 3.0.

Statement of cashflow analysis

The Company's cashflow from operating activities decreased to shs 36 million in 2019 from shs 4.1 billion in 2018. 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 39% to shs 1.21 billion in 2019 compared to shs 1.98 billion in 2018 mainly explained by a cash outflow for payout of the unit trust policy holders during the year.

There was a 100% increase in the cashflow used in financing activities to shs 232 million explained by booking of interest charge on the lease liability in line with the requirement of the new IFRS 16.

Overall, there was a net cash inflow of Shs 1.01 billion compared to cash outflow of Shs 1.02 billion in 2018.

Awards and recognitions



Sponsorship Award
From
Uganda insurance Brokers



Winner
2018 Financial reporting
(FiRe) Awards



Appreciation Award
Winner Life Insurance



**Participation
Certificate**
The Best Informed Insurer



Appreciation Award
LIFE LINK Medical
group



Winner
2019 Financial reporting
(FiRe) Awards



Appreciation Award
Winner Life Insurance



Recognition Award
Annual Conference of the
Insurance Brokers
Association of Uganda



Liberty strives to remain relevant to our clients, adopting new technologies to facilitate the delivery of objective advice, competitive risk and investment solutions, and exceptional client service.

Chairman's Statement

The year in review.

I am pleased to report that Liberty Life Assurance Uganda Limited has produced a positive performance during 2019. We remain resolute in driving efficiency through simplification, managing risk appropriately, deploying capital effectively and pursuing profitable growth opportunities. Management's focus in 2019 was on the implementation of the strategy developed over the past two years and the team has made considerable progress in achieving its goals.

Economic Environment

According to Uganda Bureau of Statistics (UBOS), the GDP growth rate for FY18/19 was 6.5% marking an improvement from that of FY17/18 of 6.3%. This was attributed to a recovery in the agriculture sector, the sustained investment by the government in public infrastructure.

As per the National Budget frame work paper 2019/20 (BFP), the Government is projecting the economy to grow at 6.6%. National account data over the past decade also shows that the GDP growth tends to improve leading up to an election year, and there after in the actual election year it indicates economic activity as easing.

Furthermore, the central Bank maintained an accommodative monetary policy with a 1% drop in the central Bank rate (CBR) to 9% which created a suitable environment for credit growth. Consequently, this economic stability was reflected by a 17% growth in our Gross written premium year on year.

Insurance Industry

The insurance industry grew by 12.5% in 2019 with total gross written premiums of Ushs 963 Billion as compared to Ushs 856 Billion in 2018.

Of this, the life insurance business contributed 29% (Ushs 269 Billion) representing a 24% growth from 2018 (Ushs 217 Billion).

Liberty Life Assurance Uganda Limited market share for 2019 was 15.5% (Ushs 41.6 Billion) representing a 17% growth from the prior year gross premiums of Ushs 35.6 Billion.

(Source: Insurance Regulatory Authority Quarter 4 2019 report)

Given the continued low penetration rate of insurance in the Ugandan market standing at less than 1%, the insurers' ability to fulfil their promises to policy holders and other stakeholders continues to be a significant element in driving the industry growth.

The board is confident in the future of our business and the company's strong capital position. At Liberty, we recognise and embrace the high demand for increased consumer education and financial inclusion. As part of our commitment to helping our clients secure their financial freedom and that of their loved ones through our insurance offerings, we pledge to our customers to pay 100% of all valid claims

Liberty will also continue to develop innovative customer tailored products, invest in the right technology and develop strategic partnerships to deliver appropriate risk solutions. We continue to adhere to robust governance principles, support and challenge the Managing Director and his Executive team as they focus on building the robust base required to ensure reliance and profitable growth going forwards.

Liberty's Founder

We were deeply saddened by the passing of liberty's founder Sir Donald Gordon. Attribute to him has been included in the report.

2019 Performance

The quality of our financial performance during 2019 reflects our success in providing value to our stakeholders. We posted over 100% growth in the net profit after tax to Ushs 2.6Bn compared to Ushs 48M in 2018. Our shareholders equity grew by 23% to Ushs 14Bn from Ushs 11.4Bn in 2018.

Full Details of the company's performance are set out in subsequent pages of this report.

Outlook and strategies

While we have made good progress against our goals during the year, we believe there is more to do in the year ahead. We believe that the most critical role we play in society is protecting individuals and organisations during times of uncertainty. As the COVID-19 crisis continues to unfold, our focus will remain on fulfilling this role.

We recognise that the COVID-19 pandemic is, first and foremost, a health crisis. As such, we remain committed to the wellbeing, health and safety of our employees, clients and financial advisers. Liberty is fully supportive of Government's efforts in response to the pandemic in the countries in which we operate. While the impact of the COVID-19 pandemic continues to unfold, there is uncertainty regarding

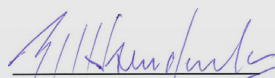
the impact it will have on Liberty's financial performance for the 2020 financial year.

Appreciation

I would like to express my heartfelt thanks to all our advisers and employees for their commitment and energy displayed during the tough conditions of 2019. It is their continued dedication which enables us to build strong long-term relationships with our clients.

My thanks go to my fellow board members for their unwavering support, commitment and robust contribution to board and committee deliberations throughout the year.

To our investors, I thank you for entrusting us with your capital. The board and management team are determined to grow shareholder value.



Gerald Ssendaula

Chairman, Board of Directors

Date: 30th March, 2020





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



Resilient performance in a tough operating environment, while committed to and investing for the future. We believe that the most critical role we play in society is protecting individuals and organisations during times of uncertainty. As the COVID-19 crisis continues to unfold, our focus will remain on fulfilling this role.

Managing Director's Report

At Liberty, we continue to be driven by our purpose of "Improving people's lives by making their financial freedom possible". Despite the weak economic and intensely competitive macro environment in 2019, we are pleased to report that we remained true to this purpose, supporting our clients, delivering resilient performance and continuing to invest for the future.

2020 has presented unexpected and unprecedented challenges in the form of the global COVID-19 pandemic. Notwithstanding the impact of declining economic activity, the complexity of operating under the enforced lockdown conditions, and the extreme volatility in financial markets across the globe, Liberty remains financially strong. Liberty has remained open for business to support clients and financial advisers with business continuity arrangements in place. Various new measures are in the process of being implemented to provide relief to clients and advisers. We have continued to pay clients' claims as they have arisen and have been able to operate at near normal servicing levels during the lockdown period, even though nearly all our staff are working remotely. Now more than ever, we need to remain focused on why we are in business - using our purpose to guide our actions as we navigate this evolving situation.

Reflections on 2019

As we reflect on 2019, it is pleasing to report that we continued to fulfil our promises to our clients and support them through their life journeys. We paid Ushs 3.76 billion in death and disability claims, insured over 1.2 million lives and continued to provide the highest standard of advice through our financial advisers. We underwrote more than 760 million policies.

The world we operate in is continuously and rapidly evolving but remains fraught with socioeconomic and environmental challenges including poverty,

inequality, slow economic growth and climate change. These existing challenges will only be exacerbated by the pandemic we now face. The Sustainable Development Goals (SDGs) offer a global call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. As a responsible corporate citizen, we support the SDGs and have identified five goals, towards which we believe we can make a meaningful contribution.

Our employees remain central to Liberty's success, and we strive to ensure alignment between their aspirations and Liberty's purpose. We employ more than 30 full-time employees and partner with over 45 tied financial advisers. This year, we invested more than Ushs 46 million in employee training and development

It's pleasing to report that in 2019 we made important and measurable progress, achieving a remarkable over 100% year on year growth in profit after tax (2019: Ushs 2.6Bn vs 2018: 48m).

Our gross written premium grew 17% year on year to Ushs 41.6Bn compared to Ushs 35.6Bn in 2018.

The Ugandan economic climate contributed to challenging operating conditions in 2019. While consumers remained under pressure, life insurance spend and saving for the future continued to drop down the consumption curve relative to other purchases. We continued to see policy cancellations and encashments to enable clients to meet their monthly obligations. So, despite our best efforts, we continued to experience low sales volume and margin growth within our Retail business. High levels of mortalities in the second half of the year also impacted our operating results.

Plans and expectations for 2020

Our five strategic value drivers will continue to anchor our strategic themes and initiatives in 2020.

We will continue to invest in, and improve, the client and adviser experience to drive client and adviser satisfaction, loyalty and new business.

We will also look to improve the workplace experience for our employees, providing them with tools, support and rewards to encourage productivity and motivation. We will manage our financial and other resources responsibly in an environment centred on risk management and ethical behaviour. Through these actions we will achieve our financial goals while making a positive impact on society, the environment and the economies where we operate.

Our goals for 2020 are consistent with those set for 2019, but have been refined to link to the value driver model:

Drive client and adviser experience, through:

- Continuing to improve service levels
- Investing in digital tools that improve adviser productivity and client experience
- Implementing the revised advice philosophy
- Simplifying our complex legacy processes, and client offerings, and
- Continuing the transformation of our various channels, including the implementation of direct and online offerings.

Continue to manage our financial resources, reputation, control and compliance environments in a responsible manner. Improve our employee experience, through continued focus on:

- Cascading our culture palmprint
- Leveraging the Growth Mindset initiatives, and
- Transformation of our workforce.

Maintain our focus on and commitment to making a positive impact on society, through:

- Continuing to allocate resources to unclaimed benefits and pension fund rehabilitation
- Supporting financial literacy

Each business unit has specific goals that, if achieved, will contribute to the continued success of Liberty as a whole. The Liberty of the future that we currently envisage will be built on these foundations. We see the power of digital platforms and smart tools augmenting the power of our existing human-to-human engagement models of doing business, improving the advice process and simplifying the choices that need to be made. We aim to work with partners to add to our own offerings those adjacent services that clients would find valuable and logical given their engagement with us. In so doing, we look to a future where we make it possible for our clients to be the authors of their own life stories, to live their best lives.

Appreciation

On behalf of the exco team, we would like to thank our clients, advisers, employees, investors, suppliers, and the communities in which we operate, for their continued support. We look forward to serving you further in the year ahead.

Finally, the passing of our founder, upon whose principles we continue to run our business, reinforced for me the privilege of leading our company as we strive to deliver our purpose of improving people's lives by making their financial freedom possible.



Joseph Almeida
Managing Director

Date: 30th March 2020



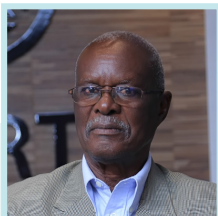
2019 FiRe Awards Winner

Liberty emerges winner of the FiRe award in the insurance category for the second time running.



We understand that **when there is trust, business and society flourish.** The board members hold one another accountable for decision-making and acting ethically, thus **providing effective leadership.**

DIRECTORS' PROFILES



Mr. Gerald M. Ssendaula

Chairman Board

Bachelor of Commerce-University of Nairobi
Diploma in Banking -Institute of Bankers.
Former Minister of finance planning and economic development,
Senior Presidential adviser on financial matters and a seasoned banker.

APPOINTED: May 2013

Committee: None



Mr. Mike du Toit

Non-Executive Director

Career banker with extensive experience in the financial services field across sub-Saharan Africa, having worked and lived amongst others, Botswana, Mozambique, South Africa and Uganda

APPOINTED: March 2010

Committee: Investment Committee



Mr. Kevin Wingfield

Non-Executive Director

BCom.University of Natal, Pietermaritzburg
Chartered Accountant South Africa
Head Personal and Business banking for Stanbic Uganda bank Ltd, with over 20-year executive level experience representing Standard Bank group on various boards across the African continent.

APPOINTED: Jan 2016

Committee: none



Mr. Anthony M. Katamba

Non-Executive Director

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

APPOINTED: May 2007

Committee: Audit and Risk



Mr. Mayur M. Madhvani

Non-Executive Director

Jointed managing Director of the Madhvani group of companies, a family controlled diversified conglomerate with business interest in East Africa, India North America and Canada, entrepreneur with a wealth of experience in developing businesses in challenging circumstances

APPOINTED: May 2007

Committee: None



Mr. Joseph F. Almeida

Managing Director

Associate of the Chartered Insurance Institute (UK) with over 30years 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,

APPOINTED: 2005

Committee: Investment Committee

SENIOR MANAGEMENT TEAM PROFILES

In 2019 we continued to lay the foundations for a sustainable future for Liberty.



Mr. Joseph F. Almeida

Managing Director

Associate of the Chartered Insurance Institute (ACII UK)

Joined Liberty: 2005

JOINED EXCO: 2005



Joan Musiime Mwendha

Country Head Finance

Bachelor's degree in Commerce (B. Com Hons.)-Makerere University
Certified Public Accountants of Uganda (CPA-U) and a Fellow of the Association of Chartered Certified Accountants (ACCA). Master of Business Administration-Edinburgh Business School.

Joined Liberty: 2018

JOINED EXCO: 2018



Frank Tindyebwa

Country Head Health

Bachelor's degree in Education from Makerere University.

Joined Liberty: 2013

JOINED EXCO: 2015



Ms. Cissy Nanfuka

Head Corporate Sales

Diploma in Nursing from Kyambogo school of Health Sciences, Certificate of Insurance practice.

Joined Liberty: 2015

JOINED EXCO: 2018



Agatha Namara

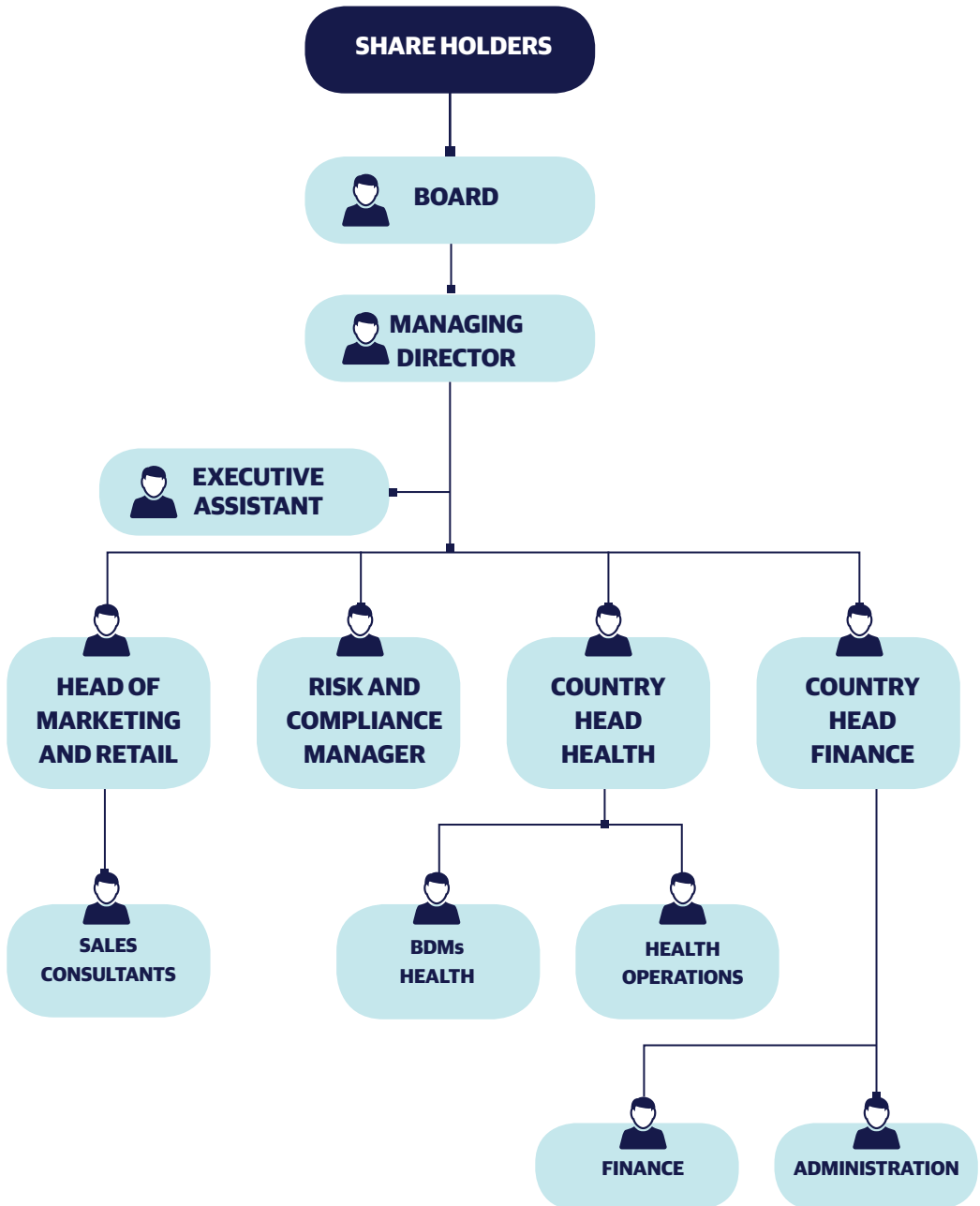
Head Retail and Marketing

Master of Science in Finance and Accounting, Bachelor of Business Administration - Makerere University,

Joined Liberty: 2014

JOINED EXCO: 2017

LIBERTY LIFE ASURANCE UGANDA LIMITED ORGANOGRAM 2019





Mind
My
Money



**GIVE THE ADVANTAGE OF
KNOWING** TO MAKE THE
RIGHT FINANCIAL DECISIONS



When knowledge rolls up its sleeves people's realities change.

At Liberty we know that people do not follow knowledge, they follow those who know. They do not follow those who talk about there, they follow those who have been there, those with dust on their shoes, those who know. Until knowledge becomes an action there is no freedom, there is no progress and there is no advantage.

We are liberty and we know the way to financial freedom because we walk it every day. In this section of the report, we put our knowledge and insight to work to make a difference in our customer's lives enabled through Financial Literacy "Liberty Mind My Money Programme"

Me and My Income

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

No matter how you make it, all income can be divided into three main kinds

1.

EARNED INCOME

This is what you earn at work and what an employer must pay you either as a salary or a wage in return for the job you do. Even if you work for yourself selling fruit and vegetables or "consult" to companies, it counts as income.

Have a small side business like xing computers that you do after your day job? That counts as income. It might sound funny, but even gambling pro t counts as earned income.

2.

PORTFOLIO INCOME

This is income you derive from various types of investments such as stocks, bonds, mutual funds, and annuities. The income from these types of investments includes the interest you earn, dividends that are paid to you, or the capital gains you make from selling an asset at a higher price you bought it for. Royalties from property held for investment are also considered portfolio income.

3.

PASSIVE INCOME

This type of income comes from activities in which you do not actively participate. So, if you have invested in a business and it continues to run on its own and earn you money, you are earning passive income. If you rent out a flat that you own, that's passive income too.

Me and my Budget

CREATING A DETAILED BUDGET WILL ALLOW YOU TO UNDERSTAND YOUR MONEY BETTER, DEAL WITH DEBT, AND SAVE FOR THE FUTURE.

"A budget is telling your money where to go, instead of wondering where it went." - JOHN C. AXWELL

It is about being smart with the money you have, knowing how much money you always have.

Why draw up a budget?

It's tempting to just go with the flow and run your finances using brain power alone but having a plan (a budget) is a much better way of controlling your money. If your budget is just in your head, it may be easy to lose track of what you have spent (and still need to spend) your money on. Because we use cards and bank accounts for many of our transactions, it's also much easier to forget just how much we are spending and what we spend it on. This is where budgets are valuable.

Budgets make you richer

Budgets are intrinsically linked to building wealth, getting yourself out of debt, and showing you where to cut costs. If you create a budget and stick with it, you will understand your money better. The better you understand your money, the easier it is to control and grow it.

INCOME vs EXPENSES

The Bottom Line

YOUR GOAL IS TO SPEND LESS MONEY THAN YOU MAKE: A BALANCED BUDGET. BUT IF YOU SPEND MORE THAN YOU MAKE, YOU ARE LIKELY GENERATING DEBT THAT WILL LEAD TO EVEN MORE DEBT. TO CREATE A BALANCED BUDGET,

Follow these steps:

1. WORK OUT HOW MUCH YOU HAVE

Many people have no idea how much money they have. That's not because they have so much money, but because they struggle to keep track of where their money is. Look at your bank accounts and any investment accounts you might have and make a note of the amount and the cost and interest of running each account.

2. WORK OUT HOW MUCH YOU MAKE

This is how much money you take home each month from your work. Analyse your payslip. You will and your gross salary and the deductions that come off it. What you take home is your net salary. Remember,

your net salary is your gross salary minus deductions. Do you have any other forms of income outside of your day job? Perhaps you rent a room to a tenant? Add any other income, including your partner's, to your budget.

3. WORK OUT HOW MUCH YOU CURRENTLY SPEND OR OWE

This is where you focus on the money that leaves your pocket every month. It includes both what you spend each month (expenses) and what you owe money on (debts). Write it all down.

THERE ARE THREE KINDS OF EXPENSES.

- Fixed expenses, variable expenses, and irregular expenses.
- Fixed expenses are the ones you have to pay every month, and where the amount that you pay stays the same and do not change over time, such as your car repayments, garden service, and insurance. You can also include the amount you are putting towards saving here.
- Variable expenses are the ones that you also pay every month, but where the amounts you must pay change every month, usually because you might use more or less of it. These can include your groceries, electricity (perhaps you use more in winter)

Take the test

Are you in control of your finances? **YES / NO**

1. I always check my payslip
2. I know exactly what I earn
3. I know the total amount of deductions on my payslip
4. I know exactly how much money is paid by my employer into my bank account
5. I know how the deductions from my salary are calculated
6. I know for certain that my employer is deducting the right tax amount
7. I know exactly how much money I owe each month
8. I know exactly how much I spend each month
9. I keep a record of my expenses each month
10. I have a budget that I try to stick to each month

Results

0-3 YES

You have no control over your finances, and you need urgent guidance to improve this. Time to get fit!

4-7 YES

You show an understanding of having control over your finances, but further development is necessary. Stay fit!

8-10 YES

You are in full control of your finances. Sustain your fitness!

Keeping track

SO YOU'VE DONE THE LEG WORK, ADDED UP THE NUMBERS, ESTABLISHED WHERE THE MONEY COMES IN AND WHERE IT GOES OUT. NOW COMES THE DIFFICULT BIT.

STEP 1: DON'T PANIC

As with fitness, the beginning stages are sometimes painful. The fact that you have already started a budget means you are taking control of your finances. Stick with it champ. You're doing well.

STEP 2: PROCESS THE INFORMATION

Ask yourself, what are the areas that surprise you? Are you shocked that you spend so much on groceries? How about how much you spend on travel or entertainment? How important are the areas that are taking up most of your money? Are there any areas that are costing too much?

STEP 3: BEGIN CUTTING

Figure out which of your costs are totally unnecessary (e.g. take-away every day) and cut them out. Now, look at other areas where you could possibly make cuts. What can you sacrifice or change? Are you managing to save any money? Are you living beyond your means? Be very honest with yourself and with your partner. The power lies with you to make these changes.



NEEDS vs WANTS

A need is something that is required - food, clothing, shelter. A want is something that is not necessary but that we desire. For example, we need clothes, but may not need designer clothes.

Knowledge is power: Questions to ask a potential financial adviser

Financial freedom is one of the greatest gifts you can give yourself. On the road to achieving this, knowledge is power. It is important to educate yourself and understand all the options available to you which, ultimately, leads to informed decision-making.

Below are some of the questions to consider asking a potential financial adviser;

How do you charge and how much will I have to pay you?

Does the potential financial adviser receive money for selling you specific products, do they work for a flat fee, or will they receive a percentage of the assets they control? In general, the mainstream remuneration structure for advisers is usually embedded in the purchase of financial products. That means that it is common for the cost of the advisers' services to be covered by the purchase price of the products you buy.

From a legal perspective, upfront charges, commissions and remuneration must be fully disclosed in the quotation of a product. While uncommon, some advisers may charge a consultation fee. Should this be the case, it is important to ensure that such an adviser has the credentials to warrant such a charge over and above other remuneration.

What services do you offer?

Is this a one-stop-shop where you can get insurance advice, tax assistance, estate and retirement planning too, or will you only receive investment advice? Good advice is relative to your individual circumstances. A good adviser will assess your needs holistically and come up with a comprehensive set of solutions based on your unique financial planning needs.

Life is not static – that's why responsible advisers will also ensure that your needs and solutions are reviewed periodically to make sure that your plan remains relevant to any changes in your life.

What licence and qualifications do you have?

There are lots of sharks and fakers out there. Make sure that the adviser you pick is the real deal and can produce their accreditation and certification from recognised regulatory bodies. Legally, as a minimum qualification, advisers must have obtained a post-matric diploma in wealth management. Furthermore, advisers should complete several continual professional development tasks annually to remain up to date. Advisers are granted a licence from regulatory authorities, for which they must maintain a fit-and-proper standing to obtain and maintain the licence required for them to operate.

At Liberty, we ensure that all our financial advisers meet these criteria. We have one of the best training programmes in the industry for financial advisers entering the workplace, as well as for those building their practice. Our financial advisers are all certified through successfully having passed the FAIS Regulatory Examinations. While credentials are critical, experience is also important, and it is worthwhile investigating your adviser's experience in the different aspects of financial planning.

What is your investment approach?

Are they promising to make you very rich? Are they promising to do that fast? Or are they promising you slow and steady growth? It is important to pair with a planner who fits your own levels of risk tolerance. Be cautious of anyone who suggests that it is easy to get rich quick. A responsible adviser will help assess your appetite for risk and align this to your financial goals. Your adviser should also explain the "mechanics" around your investment, as well as the possible risks and returns.

Am I working with you or a team?

It helps to understand upfront if you are working with an individual or a team from a company. Who can you call if you have any questions and who will answer your emails? Furthermore, advisers are usually the link between you and a service provider – hence the terms "intermediary" or "broker" that are often used. While you are working with a financial adviser, the risk cover you take or the investment you make is provided by a company. It is important to know who that company is, as well as know who will be handling your information and administering your affairs (the adviser you met or a team). This is important from a security and reputability perspective.

Give yourself time to get fit!

There's a reason people talk about "tightening the belt" when they mean cutting costs. Budget planning is a form of Financial fitness. If you have ever tried to lose weight, you will know that fitness takes time. As with physical fitness, trying to do too much too quickly with your financial fitness can result in failure. If you are overweight, you don't try and run 10km every single day. That approach usually results in injury or giving up as it is too difficult. Instead you start with looking to exercise two to three times per week. Approach your budget cuts in the same way by having realistic, flexible goals. Find out which areas you can cut back on and trim a bit of each rather than cut back completely right from the start.

Me and my Bank

WHAT CAN I DO WITH A BANK ACCOUNT?



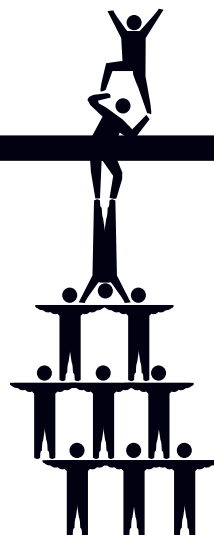
They allow you to receive money. Monies paid to you may often be banked rather than given to you in cash. This is called a deposit. If you would like to deposit money into your bank account, you can do so at your local branch or at an ATM.

While banks keep your money safe, they also let you take it out. This is called a "withdrawal". You can make withdrawals from an ATM, from one of your bank's branches, or from a till point using your bank card and your PIN.

Lastly, banks allow you to move money from one of your accounts to another account or to someone else's account. This is called a "transfer". If you make a transfer online, that is using any electronic device, it is called an EFT, which stands for "Electronic Funds Transfer". You can also go into your bank branch to make a transfer.

SAFETY AND SAVING IN NUMBERS

With a Group Savings Account, you, your friends, colleagues, or family can save as a group in one account. If there's a goal in mind (saving up cash for Christmas shopping), this kind of account is ideal for helping a group save with discipline and commitment.



HOW TO SAVE ON BANK CHARGES

OPT FOR A TRANSMISSION ACCOUNT

Just because you qualify for a cheque account, does not mean that it is the best account for you. Remember that with cheque account packages come "perks" such as overdraft facilities and cheque books, but both carry a price tag. Overdraft facilities encourage you to use money that you do not have and cheques are the more expensive way to pay. Ask your banker about your options and compare.

GO ELECTRONIC AND AVOID OVER THE COUNTER TRANSACTIONS

You can do all your banking without setting a foot inside your bank- it's both cheaper and more convenient for you. You can draw money from an ATM or at your local supermarket should your bank offer this as an option. Your insurance and other bills can be directly debited from your account. You can also check balances and make transfers between accounts via the internet, cell phone, or telephonically.

GOOD DEBT VS BAD DEBT

Before you borrow money, it's worth knowing the difference between good debt and bad debt. Some things are worth going into debt for, others can leave you in a big financial mess.

WHAT IS GOOD DEBT?

A good debt is one that is an investment in your financial future, does not have a negative impact on your overall financial position, and has a realistic and affordable repayment plan. Examples are a student loan, home loan, investing in a business, or buying a car you can afford.

WHAT IS BAD DEBT?

Bad debts are those that drain your wealth, are not affordable, and offer no real prospect of "paying for themselves" in the future, e.g. a luxury holiday you cannot afford, borrowing money to pay bills, or buying a brand-new car you cannot afford.

The bad debt test. YES/NO

- Have I shopped around to get the best deal?
- Am I borrowing this money as cheaply as possible?
- Will I be able to cope should interest rates rise in the future?
- Will I comfortably be able to afford the monthly repayments?
- Do I understand all the terms and conditions associated with borrowing this money?
- Do I understand the risks and what could happen if things go wrong?

If any of the answers are "no", that debt is likely to be bad.

THE STACK METHOD

A SMART APPROACH FOR PULLING YOURSELF OUT OF DEBT

The “stack method” is a powerful tool but it’s up to you to use it. If you really want results then immediately start working through the steps using this checklist:

THE STEPS	WHAT TO DO	DONE!	WORK IN PROGRESS
STEP 1:	No new debt - do not buy any more stuff you do not need!		
STEP 2:	List all your debt - with the highest interest rates at top. This is the debt you'll start to pay off first.		
STEP 3:	Negotiate lower interest rates - talk to your bank, or credit card company, or move your balance to another bank or credit provider offering the lowest interest rate for the longest period.		
STEP 4:	Take charge and create your strategic spending plan: <ul style="list-style-type: none">• Write down your income after tax and all your expenses (net income)• Rank your expenses according to importance (including the minimum payments on debts)• Get rid of the expenses at the bottom of the list - those you can do without• Allocate amounts to what you want to spend on each area of your life (rent, groceries etc.) - no cross dipping once you have spent allocated money• Create a fun account for spending on things you like - do not overdo!• Create an emergency account - in case your car breaks down etc.• Allocate a “stack repayment amount” towards paying off debt - this is an amount you are going to use to pay off debt, in addition to your regular debt repayments		
STEP 5:	Create a repayment schedule: <ul style="list-style-type: none">• Honour the minimum repayments on all your debt• Pay the “stack repayment amount” towards your debt with highest interest rate (“target debt”). And you keep on paying the minimum amount due plus the “stack repayment amount” till the target debt is paid off• As your official minimum payment decreases, add the extra amount to your stack repayment amount		
STEP 6:	Track your “target debt” to see your progress and reward yourself once you have paid off a debt. The reward can come from your fun account!		
STEP 7:	Use the power of Compounding: <ul style="list-style-type: none">• Once a target debt has been paid off, move your “stack repayment amount” - which now includes the previous debt minimum amount - to the next debt on your list with the highest interest rates - this is your next “target debt” Repeat until all your debt is paid off. As your debt decreases, the repayment amounts increase and your debt is increasingly paid of faster - compounding at work		
STEP 8:	Keep going - even when things go wrong and get tough.		

Me and my Future

PLANNING SECURING YOUR DREAMS AND GOALS BEGINS WITH SAVING.

“ Do not save what is left after spending, but spend what is left after saving

- WARREN BUFFET ”

?

That extra coffee at the coffee shop each morning? Can you replace it with a coffee at work or restrict yourself to one per week? Calculate how much money each coffee costs you and how much you would save each week if you gave it up.



GIVE YOUR EMPLOYEES THE ADVANTAGE OF KNOWING

At Liberty, we believe that everyone should have access to the skills and tools they need to achieve financial freedom. And your employees are no exception. We partner with companies to help employees to realise their worth, raise their financial consciousness and work with inspired passion. That's why we've developed the Mind My Money Experience – an interactive learning programme that teaches your employees how to plan, manage, invest, grow and protect their money with confidence.

The Liberty Mind My Money Experience

Mind My Money is a complimentary, personal financial management experience brought to you by Liberty. Designed for ordinary individuals who require the skills and tools to navigate the world of finance and investment, the programme aims to provide valuable insights about financial concepts, products and services they can use to make informed decisions and achieve their financial goals.

SAVE AS A TEAM If you are in a relationship and you share financial responsibilities make sure that you and your partner agree on how to save. There is no point trying your hardest to cut costs if your partner is spending too much money or creating more debt

TRACK YOUR MONEY When it comes to your finances, you cannot be too detailed. Keep your receipts and check them later when you update your budget.

WHAT TO EXPECT FROM THE LIBERTY MIND MY MONEY EXPERIENCE

1



GETTING STARTED

Complete your free Personalized Financial Plan
<http://Bit.ly/LibertyFinPlan>

Once you have decided to implement Mind My Money at your business, a representative will get in touch and discuss everything you need to know about the experience.

- Time and date of workshop
- Staff registration and administration
- Promotional material
- Presentation area and set-up requirements
- AV equipment
- Stationery
- Seating and tables

2



STAFF ENGAGEMENT

Staff will be encouraged to participate in the experience through a number of engaging communication elements leading up to the event.

- Staff emailers
- Informative brochure
- Promotional posters and pull-up banners
- Ambient displays
- Branded gifts and interactive desk drops
- Digital banners on the intranet platform
- MMS communication

3



THE WORKSHOP

On the day of the event, employees can look forward to an informative and engaging experience featuring:

- 1-hour facilitated workshop
- Interactive exercises
- Question and answer session
- Online access to tools

4



BENEFITS & TOOLS

The Mind My Money Experience is much more than a once-off workshop. Employees will also receive long-term support and everyday tools to achieve ongoing financial freedom.

- Free Financial Plan
- One on one personalized financial coaching
- Online Learner Portal: Access to additional insights, tools and support at www.libertymindmymoney.org
- Handy Financial Apps: Practical tools and content for everyday financial wellbeing
- Expert Financial Coaches: Personal, relevant advice on how to achieve financial goals
- Credit Reports: Insights into their financial reputation and how to manage it over 2 years
- Discounts and Incentives: A range of useful financial products and services



We support **effective corporate governance within an ethical environment**, which both creates and preserves value for all stakeholders.

Corporate governance report

Leadership, Ethics and Governance.

Liberty understands that when there is trust, business and society flourish. The board subscribes to the highest levels of ethics and integrity in conducting Liberty's business and in dealing with stakeholders. The board members hold one another accountable for decision-making and acting ethically, thus providing effective leadership. All Liberty employees and representatives are expected to act in a way that reflects the company's values, builds trust and inspires confidence in the brand.

The board has approved a formal code of ethics that prescribes the group's approach to business ethics and its obligations to clients, advisers, shareholders, employees, representatives, suppliers, the public and the authorities. We are in the process of updating this code of ethics, which we expect to be completed during 2020.

Effective corporate governance within an ethical environment creates value for all stakeholders through:

- Enhanced understanding of risk
- An inclusive approach to business
- Brand and reputational coherence through responsible behaviour
- Legitimacy through ethical leadership
- Allocation of capital to value-accretive activities
- Balancing upside opportunities with the cost of risk

The board subscribes to the highest levels of professionalism and integrity in conducting Liberty's business and in dealing with stakeholders.

Liberty has a board-approved code of ethics which has been communicated to all internal stakeholders. The board oversees and monitors the consequences of the company's activities and outputs, and its status as a responsible citizen.

Liberty's compliance with legislation, applicable standards and adherence to its own policies is monitored through the management and compliance committee (a management committee).

The Audit and Risk committee of the board monitors the overall responsible corporate citizenship performance and ethical culture of the company.

Strategy, performance and reporting

The Board is the ultimate decision-making body in the company and is responsible for the overall strategic direction of the company. It is also required to oversee the implementation of Liberty's business objectives and strategies, within its risk strategy and appetite, in line with its long-term interests.

The board considers the impact of strategic actions on financial targets, the planned risk profile and capital demand and supply. Business units determine and implement operational strategies.

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 targets, which incorporate assessments of risk, established through the strategic planning process.

The board tracks the preparation of the quarterly and annual financial 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 social, economic and environmental context within which it operates.

Governing structure, function and delegation

Liberty has a transparent organisational structure in place with clear allocation and appropriate segregation of responsibilities that sets the high-level direction, and measures performance against that direction. Management has the primary accountability for the day-to-day operations, control and reporting of business performance in accordance with the strategies, policies and risk parameters set by the board.

Our governance framework is designed to facilitate the 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. The governance framework is supplemented by specific frameworks, including among others, risk management, financial capital management and human capital frameworks.

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.

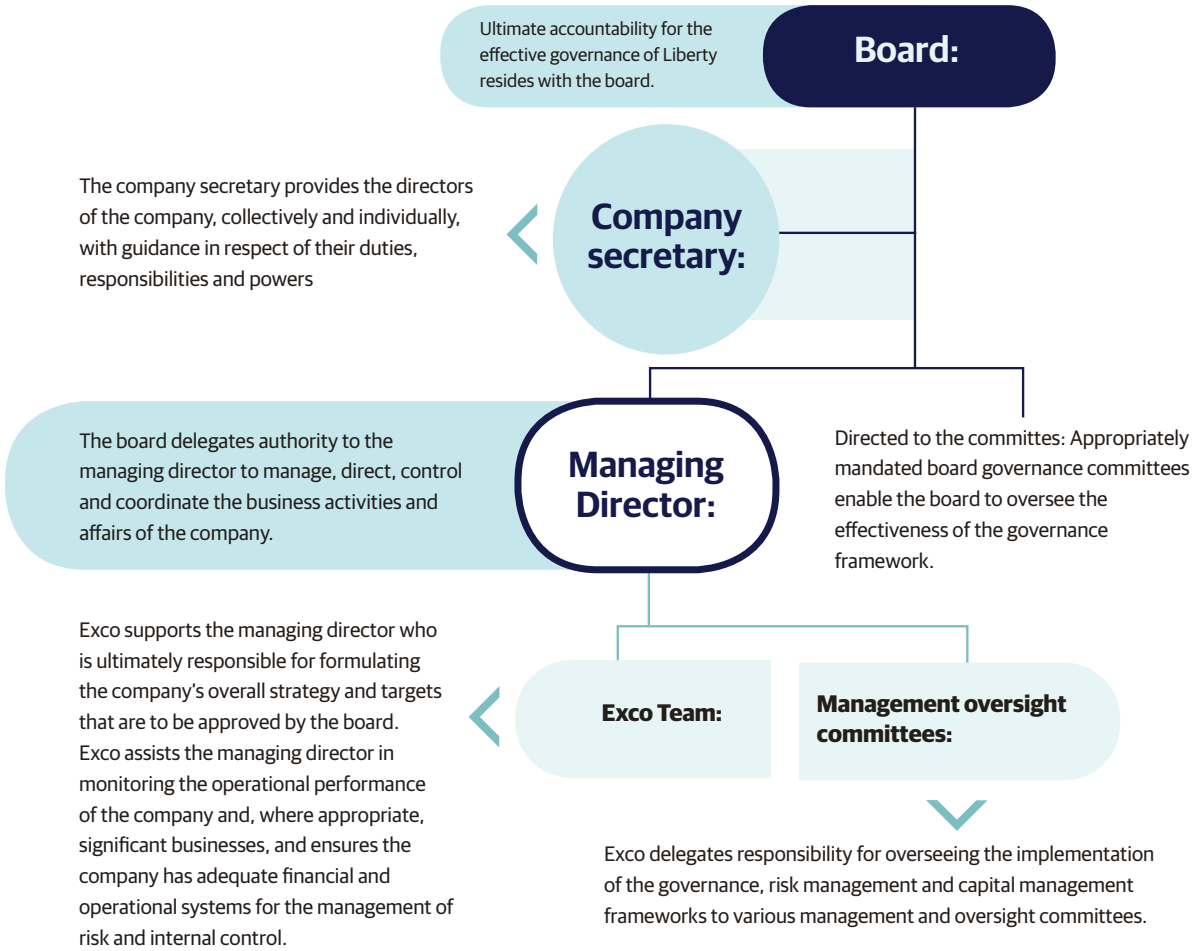
The annual general meeting is the major point of contact between the shareholders, management and the board of directors. The Company's shareholders are represented on the board of directors and its respective committees.

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.



The directors share a light moment after the board meeting

Our governance and leadership structure,



Committee and Description of key tasks and responsibilities

Audit and Risk Committee

- Provides oversight on the financial, actuarial, audit and regulatory reporting processes, the combined assurance process and its effectiveness, the system of internal controls and compliance with laws and regulations
- Reviews the company's risk and capital philosophy, strategy, policies and processes.
- Responsible for formulating remuneration strategies and policies and monitoring the implementation of such policies
- Responsible for determining and evaluating the adequacy, effectiveness, efficiency and appropriateness of the group's governance structure, practices and processes in line with regulatory requirements
- Manages Liberty's stance on transformation, social and economic development, client fairness, ethical conduct, good corporate citizenship, sustainability, the impact of brand, marketing and stakeholder management

Investment Committee

- Determine and monitor the company's overall investment strategies and policies.
- Review and approval of the engagement and continued use of investment managers
- recommend investment strategies, investment mandates and appropriate asset managers
- Monitor performance of the assets against agreed mandates
- Capital management in terms of minimum regulatory capital requirement and solvency capital requirements as set by LAI
- Exercise oversight with respect to the Financial Markets Risk being taken by LLAU by ensuring that the expected returns/benchmarks for the Financial Markets Risks taken are appropriate and that appropriate peer group performance tracking measurements are identified.

Board of Directors

The board is responsible for clearly defining roles and responsibilities, ensuring that its obligations are delegated to appropriate individuals, functions or committees. Day to-day management of Liberty is assigned to key executives and senior management.

The company has a unitary board, which is considered effective and appropriate for the size of the group. We believe that the board's composition is both qualitatively and quantitatively balanced in terms of skills, race, experience, tenure and independence.

There is a clear division of responsibilities and no one director has unfettered powers, ensuring there is an appropriate balance of power. The effectiveness of the board and its committees is assessed regularly.

An external board evaluation commenced in November 2018, and feedback was provided to the audit and risk committee and the board in March 2019. No significant shortcomings were identified. Continued professional development of the Board remains an area of focus to ensure that the directors possess the skills and knowledge necessary to respond to changes in the business environment.

The directors are kept abreast with applicable legislation and regulations, changes to rules, standards and codes as well as relevant sector trends. Both internal and external industry experts facilitate board training. Additional time is scheduled outside of the Board meetings to run dedicated sessions that highlight key issues related to the Company's strategy.

The company continued to leverage the international expertise available with Liberty Group. Training undertaken by Board during the year included: Anti Money Laundering (AML), Risk Appetite and Asset Liability Matching (ALM).

The role of the Chairman and the Managing Director are separate and in line with best practice, the Chairman is independent.

Liberty's responsible persons are fit and proper, having the necessary competence and integrity to fulfil their respective roles. A fit and proper training policy is in place.

The duties of individual board members include



Appointment of directors

The appointment of directors is on merit with candidates measured against a pre-determined criterion based on the required skills and experience.

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.

The board composition is both qualitatively and quantitatively balanced in terms of skills, race, gender, experience, tenure and independence.

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.

The directors' profiles are included in this report.

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 key functions of the committee are summarised above.

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 key functions of the committee are summarised above.

Board meeting

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.

The Directors' attendance of scheduled Board meeting for the year 2019 was as below

Name	04th April	31st July	16th October
Mr Gerald Ssendaula - Chairman	✓	✓	✓
Mr Ravi Singh	✓	✓	✓
Mr Mike Du Toit	✓	AA	✓
Mr Kevin Wingfield	✓	AA	✓
Mr Anthony Katamba	✓	AA	✓
Mr K. N. Nair	✓	✓	✓
Mr K. P. Eswar	✓	✓	✓
Mr Mayur Madhvani	AA	✓	AA

The Investment committee meetings attendance during the year 2019 was as below

Name	03rd April	30th July	15th October
Mr. K. N. Nair - Chairman	✓	✓	✓
Mr Ravi Singh	✓	✓	✓
Mr. Mike du Toit	✓	✓	✓
Mr Peter Makhanu	AA	✓	✓

The Audit and risk committee meetings attendance during the year 2019 was as below

Name	03rd April	30th July	15th October
Mr. Ravi Singh - Chairman	✓	✓	✓
Mr. Anthony Katamba Director	✓	✓	AA
Mr Peter Makhanu	✓	✓	✓
Mr. K. N. Nair	AA	✓	✓

Key: AA- Absent with Apology ✓ -Present

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 2019.

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 29 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 three are males. The EXCO team is led by the managing director and is supported by the various heads of department. Profiles are included in 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.

Details of the stakeholder engagement are included in the sustainability report.

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.

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 audit and risk committee is satisfied that KPMG Certified Public Accountants are independent of the company. This conclusion was arrived at, inter alia, after considering the following factors:

- The representations made by KPMG Certified Public Accountants Uganda to the Audit Committee.
- The auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the company.
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditors.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor.
- The criteria specified for independence by the independent regulatory Board for Auditors and international regulatory bodies were met.
- Responsibilities of the external auditor and their involvement with management, as well as the audit opinion for the year 2019 are set out in the external audit report included in the financial statements section.





Liberty has a clearly defined business strategy, making it possible to identify events that would hinder the business from creating value as well as identifying opportunities that might assist the business in advancing its purpose.

Risk management and control report

Every entity exists to create value for its stakeholders, i.e dividends for shareholders, products for customers and environmental sustainability for the wider public. These values are communicated through a SMART strategy (Specific, Measurable, Attainable, Realistic and Timely] objectives, with specific targets.

The entity puts in place mechanism to execute the strategy and evaluate the extent to which it attains its strategic objectives through performance management systems. HOWEVER, achievement of those objectives will be dependant on how well the entity manages the uncertainties (risks) in the operating environment.

At liberty Life assurance Uganda Limited, we are in the business of directly taking on risks faced by customers therefore effective risk management is critical for our sustainability. This calls for adoption of an effective Risk Management framework that ensures we conduct our business in the right way that manages our financial resources responsibly to safe guard the interests of all our stakeholders.

Effective risk management is among our key performance indicators at corporate, functional and individual levels, our starting point is to understand our risks and set a Risk appetite for the company. We have set a well-defined and documented Risk Appetite Framework where risk appetite limits to guard as boundaries are set to guide our strategic decisions.

Risk culture.

Our key risk management objective is to continue to develop, implement and entrench a sustainable risk ethic and philosophy throughout the organisation "Risk Culture".

The risk culture, which forms part of Liberty's overall culture, encompasses the tone at the top and a set of shared attitudes, values, behaviours and practices that characterise how individuals at Liberty consider risk in their day-to-day activities. We drive a culture where every individual takes accountability within their area of responsibility for ensuring that business is done in the right way and that our resources are managed responsibly. Learnings are taken from previous incidents to ensure continuous improvement in the management of risk.

All individuals must understand the importance of effective risk management and must ensure that risks associated with their role are appropriately understood, managed and reported. Individuals at all levels communicate risk related insights in a timely, transparent and honest manner.

This culture is driven from the top by the Board and executive management through how they communicate, make decisions and incentivise the business. Managers and leaders ensure that in all their actions and behaviours they continually reinforce the culture that the effective management of risk is critical to our success and that every individual plays a role in the management of risk.

Risk strategy

Current and emerging risks that could threaten the business model, strategy and sustainability are identified and assessed through a top-down risk identification and assessment process. In addition, risks identified through the business unit strategic planning processes provide a bottom-up view.

Liberty's top risks - material matters

The top risks process is a top-down risk identification and assessment process, which provides the business with another lens with which to identify the risks that could prevent the organisation from achieving its business objectives. Top risks are defined as elevated, material risks potentially materialising within a relatively short time frame and

are currently on the minds of the board of directors and executives. This spans all risks faced across the business and may include strategic as well as operational risks.

The material risks detailed on these pages represent material matters for the purposes of this report.

Top risks - material matters	Management action
Instability in the Ugandan socio-political and economic environments	Liberty maintains a strong capital position, offers offshore investment alternatives to policyholders and manages its asset/liability matching position within risk limits. In addition, the company in conjunction with Liberty Group performed stress tests during 2019, which included a scenario of a severe recession, as well as a scenario involving distressed financial markets to prepare for the potential impacts on the business.
Changes in the operating environment as a result of the changing regulatory landscape	Liberty continues to develop strategic responses to new and emerging regulation. The strategy refresh conducted in 2018 considered the regulatory environment when setting the strategic direction.
Non-compelling client and adviser value proposition Erosion of the Liberty brand Not identifying the right opportunities and executing on building operations of value for Liberty's chosen markets	Management is focusing on: <ul style="list-style-type: none"> • Developing an end-to-end retail investment proposition • Enhancing the client and adviser experience at points of delivery • Enhancing adviser experience through improved servicing and tools • Improving adviser remuneration and recognition models, and • Building loyalty and increasing client confidence in our brand.
Lack of core people capabilities to execute the strategy	Liberty has introduced a specific workstream to craft a longer-term strategic response to people risk challenges by improving the employee experience. Substantial investment is made in training. New and more Agile ways of working have also been introduced
Inadequate cybersecurity and resilience	Investment continued to enhance Liberty's cybersecurity and update plans based on changes to the threat landscape and technology enhancements.
Data risk	Liberty has established a robust data and information management capability and continues to enhance governance in this regard.
Inadequate management of Liberty's technology infrastructure to ensure that it meets performance expectations	Management is focused on continuously enhancing system stability and availability. There are various initiatives across the IT landscape to progress this goal, including the use of monitoring capabilities that leverage off artificial intelligence tools and cloud storage solutions.

Coronavirus

The COVID-19 coronavirus poses a significant threat to global health and the World Health Organisation (WHO) has officially characterised the situation as a pandemic. Although the WHO is currently of the view that all countries can still change the course of this pandemic, there is concern that countries may not implement the measures required to suppress and control its spread.

The spread of COVID-19 is having significant impacts on investment markets and it further poses material business continuity and insurance risks to Liberty. Contingency plans and mitigating actions are being introduced. With the rapidly evolving situation, developments are being closely monitored so that appropriate actions are taken.

Risk environment

Liberty's significant risk categories are strategic and business, insurance, market, credit, liquidity, operational, business conduct, and legal and compliance. 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 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's qualitative risk appetite statement provides boundaries on what is acceptable and unacceptable in pursuit of business goals as it relates to reputation and conduct.

Reputation

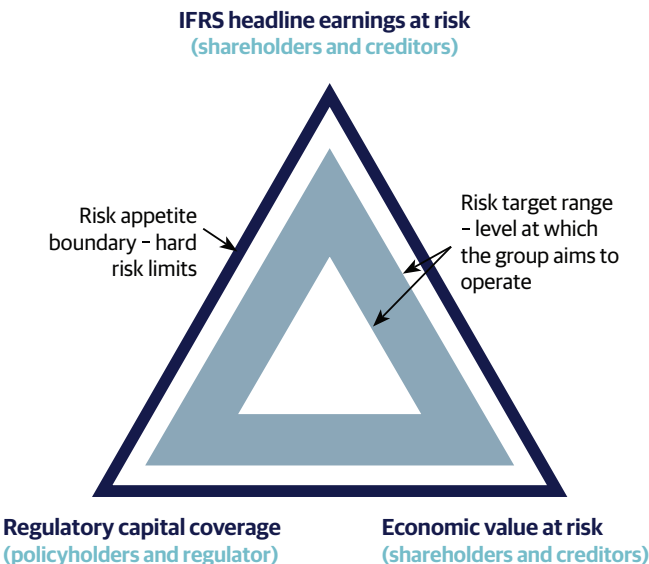
We will not deliberately and knowingly engage in any business, activity or relationship which, in the absence of any mitigating actions, could result in reputational damage to Liberty today and into the future. We proactively protect and uplift the Liberty brand in all our interactions.

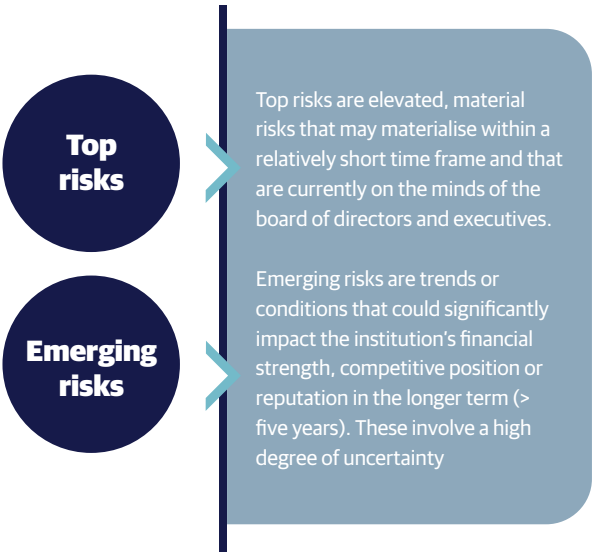
Conduct

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 appetite and risk target

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.





Risk management

Liberty has adopted an enterprise risk management (ERM) approach. Liberty's risk framework is substantially based on the ERM principles embodied in the Solvency Assessment and Management (SAM) framework.

The board is ultimately accountable for the effective governance of risk management. The board delegates its oversight and responsibilities in terms of the three lines of defence risk governance model.

Once the level of risk that Liberty is willing to take has been set by the board and the risks ranked and prioritised, management (the first line of defence) is able to determine the mitigation strategy deemed to be most effective. Mitigants used depend on the risk type. The mitigants are subject to oversight by the second line of defence, and controls are audited by the third line.

Combined assurance

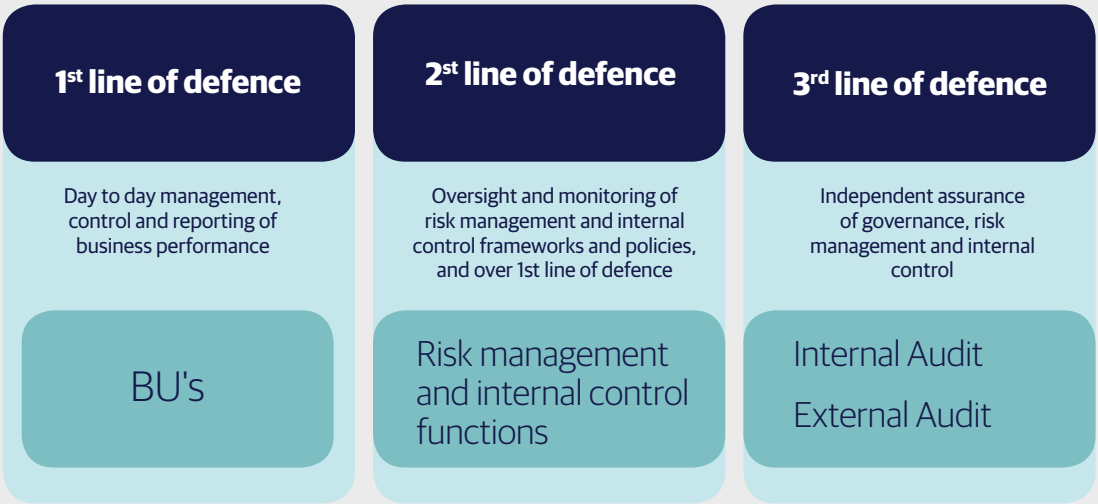
A combined assurance model incorporates and optimises all assurance services and functions to enable an effective control environment and support the integrity of information used for management decision making. It is built on the adoption of a robust risk management process, in Liberty's case the enterprise 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.

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.



Role players.



Managing Risk

In Liberty Life Assurance Uganda Limited, every individual is responsible for ensuring that the risks inherent in their area of responsibility are appropriately managed on an on-going basis. Senior management ensures that responsibility for the management of all material risks has been clearly allocated and that these risks are being effectively 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 rather than to separate "risk management" teams. Senior management ensures that risk management is embedded within business processes and is appropriately reflected in incentivisation structures.

The monitoring of the external risk environment, the level of risk assumed, and the effectiveness of controls and other risk mitigation approaches is performed on a regular basis 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 on-going challenge with respect to management of risk within the business. GIAS provides assurance to the Board and Senior management that the controls in place are adequate and effective.

Where material residual risks are retained within the business, contingency plans are developed, stipulating the actions to be taken should the risks materialise. These contingency plans are reviewed on a regular basis with their effectiveness assessed as part of stress testing processes. The contingency plans include where appropriate, trigger levels where specific management actions will be initiated.

Reporting Risk

Effective internal risk reporting is a key component of the risk management system that ensures that Senior management and the Board receive relevant, accurate and timely information regarding the level of risk within the organisation; receive assurance that the business is operating within agreed levels of risk;

are informed of emerging risks; and are made aware of adverse events which require management action.

Management are required to report, and escalate as required, all risks deemed material and any material changes to the risk profile to the appropriate governance committees and oversight functions. Any limit breaches need to be reported to the committee which approved the limit in question. Progress on any management actions being taken to manage material risks and limit breaches must also be reported.

External risk reporting to stakeholders, such as shareholders, analysts, current and potential customers as well as the regulator is important. These reports provide evidence of effective management and present feedback on the business's performance.

COMPLIANCE

Our stakeholders expect us to manage business risk and behave in an ethical manner that ensures compliance with the form and substance of laws, regulations, codes and standards.

Liberty Life Uganda Limited conducts its business in adherence to statutory, supervisory and regulatory requirements by identifying, assessing, managing, monitoring, and reporting on compliance risks and exposures. Compliance risks that are not adequately and/or effectively mitigated could result in administrative and criminal sanctions being applied in terms of applicable legislation, and/or reputational damage.

Compliance risk refers to risk of regulatory sanctions, financial loss or damage to reputation as a result of not complying with legislation, regulation or internal policies.

We have an independent and effective compliance function established by the Board to support it in discharging its responsibility of oversight to ensure that we meet the statutory, supervisory and regulatory requirements.

It is managed through the established compliance functions 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.

Compliance risk management process

The Head of Compliance provides guidance to business on how to discharge their responsibilities of complying with statutory, supervisory and regulatory requirements. Compliance employees within LLAU ensures to promote a culture "Compliance Culture" that brings about awareness of managing compliance risks and exposures by applying the Compliance Risk Management Process.

The Compliance Risk Management Process consists of the identification, assessment, management, monitoring and reporting on compliance risks and exposures and this must be performed as part of their daily compliance activities.

Regulatory universe

We have developed a "regulatory universe" that guides us on all the relevant regulations that we must always comply with. This universe is always updated and approved by Board.

Compliance risk management plans (CRMPs)

Together with management, the Head of Compliance completes CRMPs for all material pieces of legislation. Regulatory risks are assessed in terms of "impact" and "likelihood".

Adequate and effective controls for the identified risks are designed and implemented. Statutory, supervisory and regulatory requirements are embedded in all our business processes.

These CRMPs are reviewed at least annually or whenever there are legislative changes, to ensure that existing or updated controls remain adequate and effective for changes in regulation or business processes. CRMPs are used by the Head of Compliance as part of the monitoring process to test the adequacy and effectiveness of the implemented controls.

Compliance monitoring and reporting

The Head of Compliance conducts compliance monitoring reviews in accordance with the approved monitoring plans to provide assurance to the respective Boards and management (Exco) on the level of adherence to statutory, supervisory and regulatory requirements.

Compliance mandatory training

The Head of Compliance must ensure that all employees know and understand the statutory, supervisory and regulatory requirements applicable to Liberty Life Assurance Uganda Limited by completing a mandatory compliance training.

Compliance risk appetite

The Board has adopted a zero tolerance to knowingly breaching statutory, supervisory and regulatory requirements as prescribed in the compliance risk appetite statement.

Compliance risk exposures.

Unforeseen breaches of statutory, supervisory or regulatory requirements may occur from time to time however, remedial action must be taken immediately to adequately and effectively mitigate such risks. The exposure must also be appropriately investigated and resolved, and the respective controls must be assessed for adequacy and effectiveness to ensure that the breach is not repeated.

Compliance risk exposures identified by employees must be reported immediately to the Head of Compliance and Exco and ensure that appropriate corrective action is taken to address the exposure. Progress made on remediating the root cause of the exposure must be tracked and reported.





"The success of our business is inextricably linked to the prosperity and wellbeing of the societies in which we operate. Ultimately, we strive to deliver shared value."

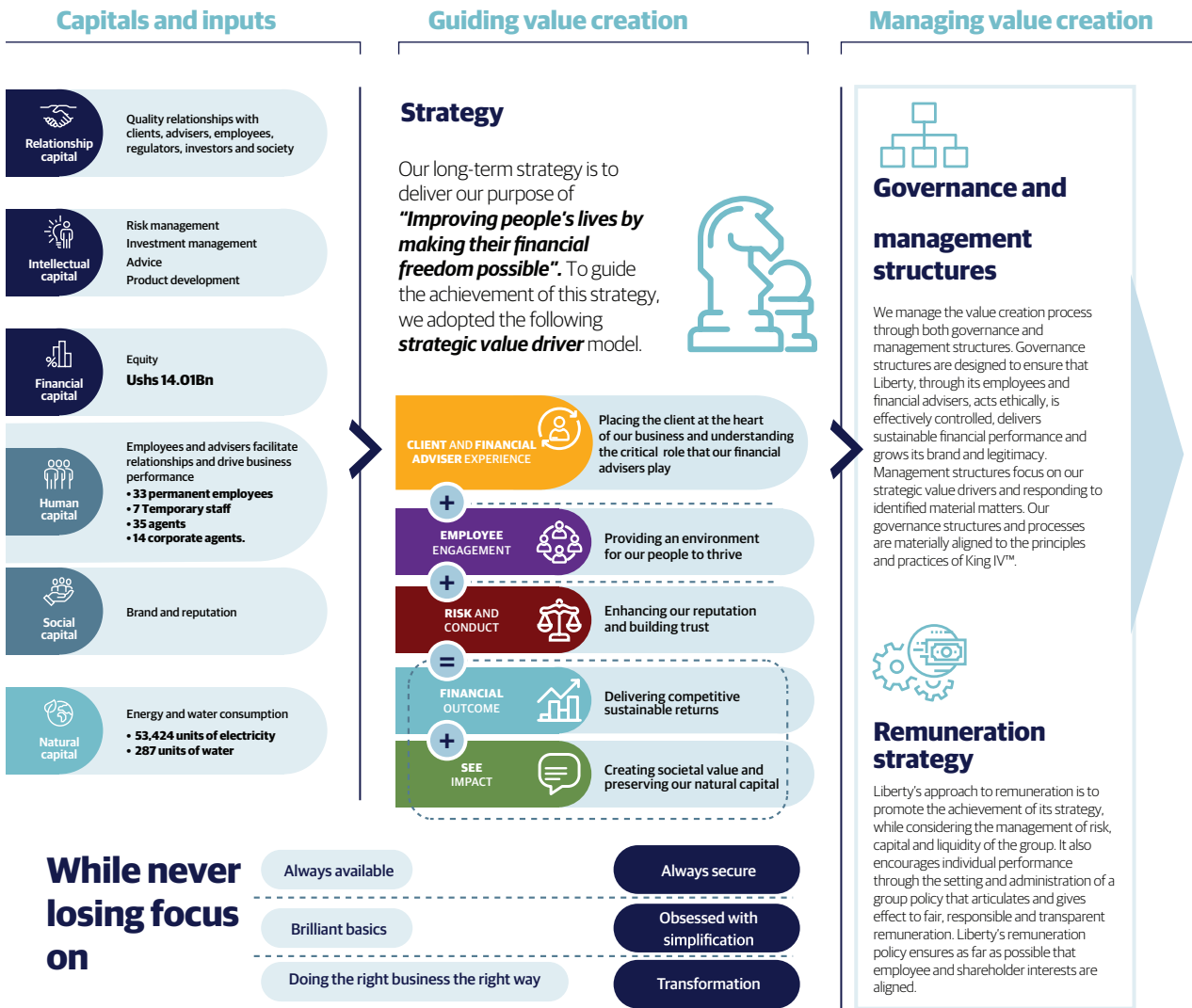


SUSTAINABILITY REPORT

Introduction

At Liberty, we appreciate the meaningful role businesses can play in society. We strive to understand and manage our social and environmental impacts, which we view primarily through two lenses – where our company has a direct impact, or where, indirectly, we can be catalysts for positive change. In delivering on our purpose of improving people's lives by making their financial freedom possible, Liberty looks to maximize our positive SEE impacts while mitigating and managing potential negative impacts. This 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.

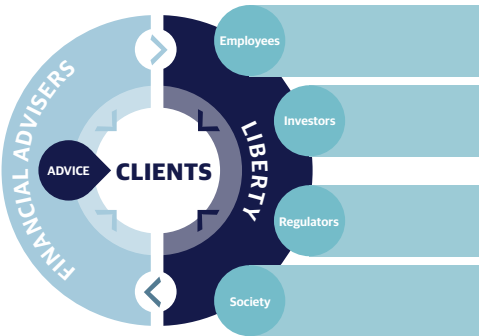
Our Business Model



Value creation activities

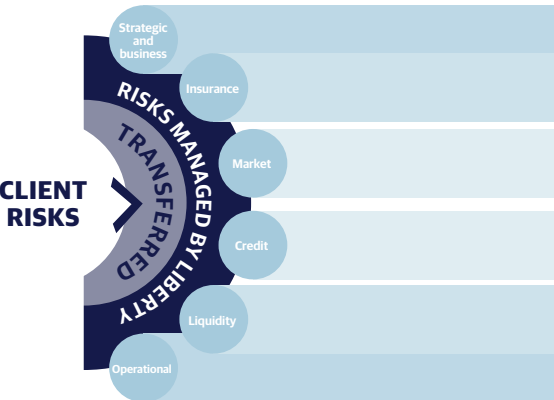
Relationships

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 their 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 for clients and shareholders. 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 element of our value creation journey.



Outputs



Outcomes

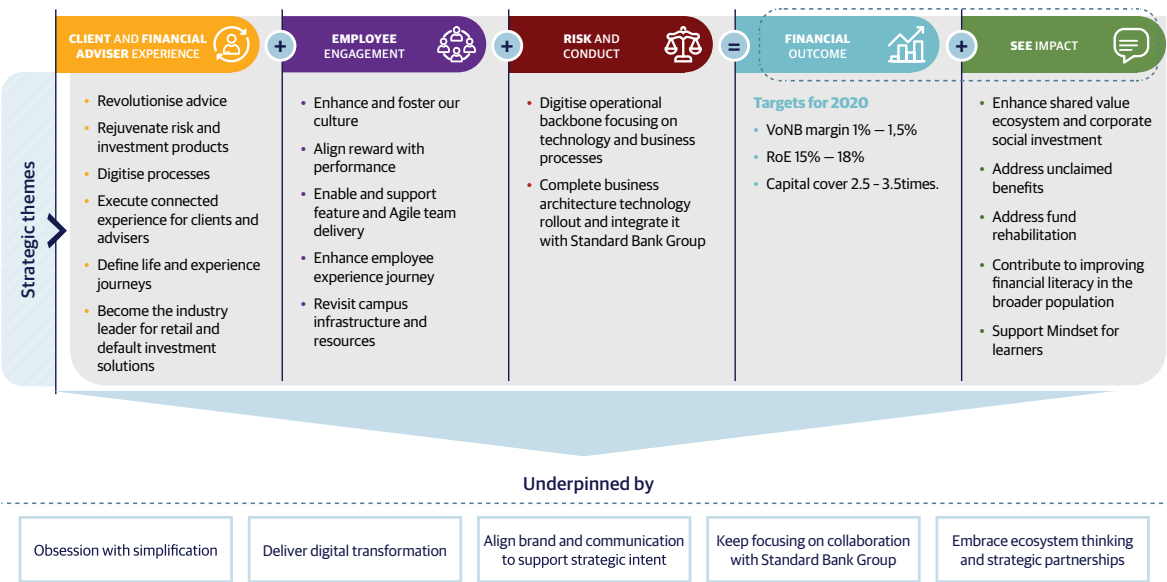


Our Strategy

Our long-term strategy is to deliver our purpose of "Improving people's lives by making their financial freedom possible". Our strategic value drivers and strategic focus areas are as below;



To support the realization of Liberty's strategy, we focus on key medium- and long-term strategic themes which are tracked and delivered using the strategic value drivers. Annual leadership goals, aligned to prioritized strategic themes, are set to drive focus and financial performance.



Managing Value Creation

Liberty's governance is steered by a governance framework which sets out the principles, practices and guidance to facilitate effective and efficient management of the business.

We have adopted the SEE (Social Economic and Environmental) value proposition by;

- **Social:** Addressing social needs to help Uganda grow by using our financial services to make life better for Ugandans;
- **Economic:** Developing financial tools to help Uganda advance economically by being a catalyst for economic change in Uganda; and
- **Environmental:** Driving material efficient processes and Investing in renewable and efficient energy provides a sustainable carbon neutral option, provides energy with the least environmental impact.



Shared value is:

A set of policies and practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates

Shared value is not:

- Sharing the value already created (philanthropy)
- Personal values
- Balancing stakeholder interests
- Compliance with local regulations

Our SEE strategy, which focuses on the value we create for civil society, is guided by the UN SDGs – a blueprint for peace and prosperity for people and the planet. We have also considered the Global Reporting Initiative's (GRI) reporting principles and material topics relevant to our business.

The SDGs are an urgent call to action by all countries – developed and developing – to form a global partnership. The SDGs recognize that ending poverty and other deprivations go together with strategies that improve health and education, reduce inequality and spur economic growth – all while addressing climate change and preserving our oceans and forests.



Source: www.un.org/sustainabledevelopment/sustainable-development-goals.



The directors discuss the 2019 performance

Effective corporate governance within an ethical environment creates value for all stakeholders through

- Enhanced understanding of risk
- An inclusive approach to business
- Brand and reputational coherence through responsible behaviour
- Legitimacy through ethical leadership
- Allocation of capital to value-accretive activities
- Balancing upside opportunities with the cost of risk

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 into 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.

Remuneration structures

Liberty's remuneration structures are designed to attract and retain talent at all staff levels, with an appropriate mix between fixed and variable pay. Remuneration packages are geared to the employee's level of influence and role complexity. The balance between guaranteed and variable pay is appropriately structured and does not reward risk taking outside the board-approved risk mandates.

All employees have some level of variable pay. Long-term service agreements are not entered at senior management level and notice periods do not exceed three months. The primary role of variable remuneration is to drive performance within risk appetite, retain key employees and ensure alignment between executives, shareholders and clients. Annual performance contracts exist for every role, defining and clarifying the objectives and outputs required of each person. Performance contracts and incentive structures identify and clarify measurable (financial and non-financial) deliverables and indicators against which performance can be measured over defined periods. Formal reviews of these performance contracts take place to ensure transparency in performance feedback, to identify development needs and to determine corrective action where appropriate.

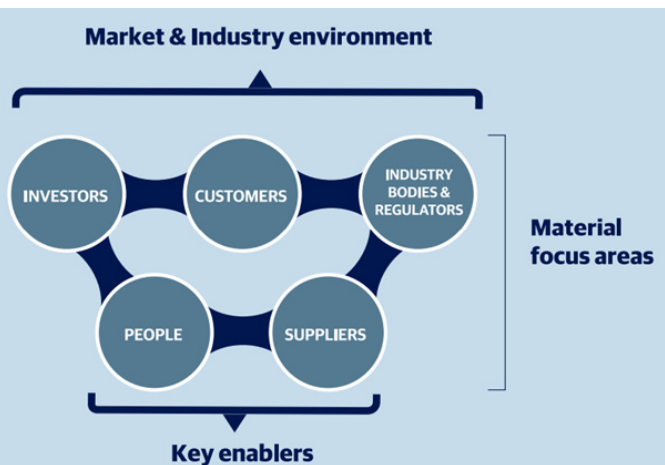


Remuneration of tied agents:

Tied agents are exclusively contracted to and managed by Liberty. Their remuneration structures are based on set insurance regulations and commission rates linked to the quality, quantum and mix of products sold. Included in the commission rules are claw back provisions, which apply if policies or investment contracts lapse within prescribed periods from sale date. Various client retention, quality and volume incentives are offered to assist in achieving sales and client retention targets.



Our Material Focus Areas



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

1. Market and Industry environments:

These mainly include Investors, Customers, Industry bodies and Regulators,

2. Key enablers:

These include Our People, Suppliers and Communities

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;

- Investment in Education, learning and development: Launch of the soma plan education saver product and sponsorship of the Ahurire School for Orphans
- Building a skilled and technically competent human resource base to contribute to employment creation
- 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 into consideration the needs of our customers.
- Supporting the Agriculture sector by Partnering with insurance companies to provide cover for Agricultural loans taken out by farmers.
- 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
- Leveraging information technology to develop products and service solutions that are relevant to the market
- Monitoring economic dynamics to establish the extent to which they impact our own sustainability and that of our internal and external stakeholders.
- 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.

Stakeholder Relationships

Our stakeholder engagement strategy defines primary stakeholders and their relationship with Liberty. The nature and frequency of engagement varies according to each stakeholder group and their legitimate needs. Our stakeholder management mandate is aligned with the vision of building a superior image and reputation for Liberty in delivering financial freedom. Our vision is supported by the trust of our clients and advisers. Our legitimacy depends on demonstrating social relevance through creating and sharing value with all our stakeholders. This is achieved through a proactive approach to engaging with stakeholders.

Commercial stakeholders

Primarily managed within the businesses

Clients



- Purchase our products and services.
- Expect fair treatment, product performance and quality service.
- Trust us to meet our obligations

Financial advisers



- Develop and maintain relationships with clients and apply their skills in assisting client purchase decisions.
- Expect competitive products and fees

Employees



- Supply the necessary skills, expertise and capacity to operate.
- Expect fair and transparent remuneration, recognition and career development.

Business partners and suppliers



- Strengthen our capability, provide third-party expert/specialist advice, goods and services.
- Expect business opportunities.

Shareholders



- Provide financial capital.
- Expect competitive returns on investment (dividends)

Non-commercial stakeholders

Managed at the centre

Government



- Creates a conducive environment for business.
- Expects business to support the National Development Plan agenda and social responsibility

Regulators, policy and law-makers



- Govern financial stability, market conduct, and law-making.
- Expect compliance

Media



- Is the voice of society on business conduct.
- Expect transparent business practices and access to management.

Organised business and professional bodies







- Act as a conduit to organise business or industry role players on matters of common interest.
- Expect responsible behaviour and membership fees.

Civil society



- Improve understanding of our communities' needs.
- Expects business to give back and be responsive to social, economic and environmental impacts.

We continually engage with our various stakeholders who are the drivers of our business. Below is a detailed discussion of how the various stakeholder's 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
Clients & Advisors 	<ul style="list-style-type: none"> 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 Provision of a suggestion box to collect valuable customer feedback in order to improve the way we serve them and cater to their needs. Our various marketing initiatives that are customer focused. Client visits and appreciation are carried out on a regular basis. 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> channels that include intermediaries, brokers, agents, affinity partners and the bancassurance agreements we have with the Stanbic Bank and other banks Other methods of increasing our representation include strategic partnerships like with Liberty General and the Agro Consortium to provide Agriculture related covers. We have service level agreements in place against which we measure our performance on timely payment of claims and provision of quotations. Launched the Mind my Money financial literacy program to provide added value to our customers by giving our customers access to personal financial plans and financial education workshops.
Employees 	<ul style="list-style-type: none"> Staff meetings and discussions Employee Engagement surveys Team building events Training programs and Workshops Staff parties and other engagements 	<ul style="list-style-type: none"> Staff welfare Staff Motivation Performance evaluation Education support 	<ul style="list-style-type: none"> Staff meetings are carried out every quarter and 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 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 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. Provide 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.
Regulators and industry bodies 	<p>Insurance Regulatory Authority (IRA):</p> <ul style="list-style-type: none"> Formal meetings and workshops Onsite visits and compliance inspections <p>Uganda Revenue Authority:</p> <ul style="list-style-type: none"> Payment of Taxes to URA Workshops and conferences Formal meetings Onsite inspections and compliance audits. <p>Uganda Insurers Association and Insurance Training College of Uganda</p> <ul style="list-style-type: none"> Formal Meetings Workshops and conferences Annual General Meeting 	<ul style="list-style-type: none"> Compliance with applicable laws and regulations Customer protection Compliance with the tax laws and regulations Payment of membership fees Participation in industry activities Attendance of provided trainings Return on Equity Dividends Sustainable financial results Good governance 	<ul style="list-style-type: none"> Total shareholder value has been growing year on year to Ushs14.01billion (2018-Ushs11.3 billion) Return on Equity for the year was 19% (2018-0.4%) The company made a profit during the year of Ushs2.6billion (2018-Ushs0.48million)
Suppliers of goods and services 	<p>Regular supplier meetings where feedback is provided.</p> <ul style="list-style-type: none"> Monthly reconciliations with our Reinsurers 	<ul style="list-style-type: none"> Value addition that is mutually beneficial to both parties Proper procurement procedures 	<ul style="list-style-type: none"> Competitive bidding as part of the procurement process is in place. List of preferred suppliers in place.

Strategic Value Drivers

In this section we provide the reader with feedback on our performance and value created in 2019 for each of our primary stakeholders.

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. 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.

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

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 organizational philosophy, brand ethos, values, material focus areas and overall business strategy.

Value Added Statement for the year ended 31st December 2019

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 2019 is shown in the value-added statement below;

Value Added	2019	% of wealth	2018	% of wealth
	Ushs'000	Created	Ushs'000	Created
Net insurance premium revenue	28,660,012	68%	21,236,188	62%
Commission income	1,378,602	3%	880,230	3%
Insurance claims recovered from re-insurers	10,085,956	24%	9,014,682	26%
Change in policyholder liabilities (net of reinsurance)	858,305	2%	1,607,761	5%
Investment income	1,336,930	3%	1,485,284	4%
Other Income	-	0%	69,566	0%
Total income	42,319,805	100%	34,293,711	100%
Less:				
Commission expense	(5,235,168)	14%	(5,075,566)	15%
Claims and policyholders' benefits	(15,731,294)	41%	(14,167,742)	41%
General marketing and administration expenses	(17,409,372)	45%	(14,962,683)	44%
Other expense	(178,898)	0.5%	-	0%
Other finance costs	(101,565)	0.3%	-	0%
Total Expenses	-38,656,297	100%	-34,205,991	100%
Wealth created	3,663,508		87,720	
Employees	2,976,570	53%	3,050,743	26%
Government	2,590,315	47%	3,771,947	32%
Shareholders - (dividends)	0	0%	5,026,000	42%
Retentions to support future business growth	-1,903,377	-	-11,760,970	-
	3,663,508		87,720	

Of the total wealth created in 2019, 53% of the wealth created amounting to Ushs3 billion was distributed to employees as remuneration and benefits which reduced from Ushs3.1 billion in 2018. 47% of the wealth created amounting to Ushs2.6 billion was distributed to the Ugandan government in form of taxes which reduced from Ushs3.8billion in 2018. In 2019, no dividend was paid to shareholders both local and foreign compared to 5billion in 2018.

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 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 Ushs2.6 billion for the year ended 31 December 2019 (2018: Ushs48 million). The Board did not approve a dividend payment for the year 2019.

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. Therefore 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.

Liberty's financial adviser provides value to clients by:

Providing Guidance across a wide range of topics including financial planning, economics, investments, risk, healthcare. Our Advisers ensure that clients understand solutions and their outcomes, and are able to make informed decisions.

Helping clients stay the course by not making hasty or reactionary decisions to their detriment in difficult economic times, negative investment cycles or periods of severe investment market volatility.

Being there in time of need. The financial adviser is amongst the first to be called when tragedy strikes. the adviser continues to protect the interests of the client or beneficiaries by supervising the claims process, ensuring policy continuity, and providing advice on estate matters ultimately removing these burdens for clients

Key Highlights

We currently have:

- Liberty's Net promoter score (NPS) was **23**
- **1,283,777** lives covered by Liberty.
- Liberty's retail products distributed through **>20 intermediaries, 35 agents and 14 corporate agents.**
- **3,464 retail policies** in force (2018- 765 policies)
- **1,756,141** credit life policies in force. (2018 - 1,385,746 credit life policies)
- **15,082** lives covered under medical. (2018 - 11,799 lives)
- **4** Agency offices (2018 - 3 agency offices)

INSURE - Our promise fulfilled

In 2019 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 2019 (Ushs5.2billion in 2018) of which Deposit administration claims were Ushs153m in 2019 and 50 million in 2018. There was a growth in other claims of 10% compared to 2018.

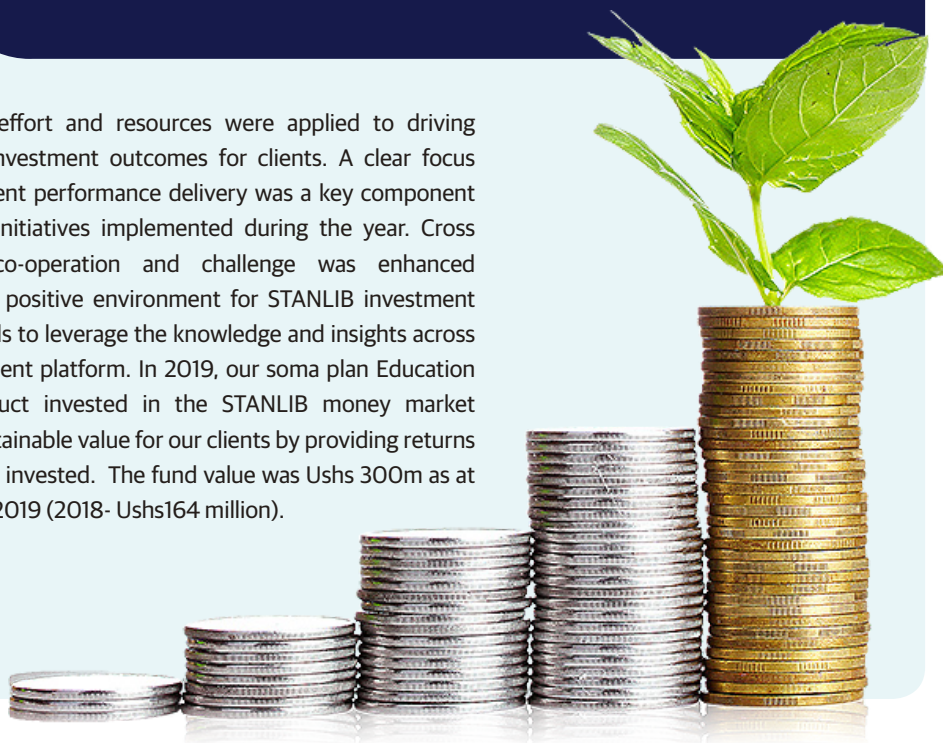
Key highlights

We paid:

- Retail claims of **Ushs 67million ▲ 34% from 2018**
- Medical claims of **Ushs 1.73 billion ▲ 92% from 2018**
- Group credit life claims of **Ushs3.25billion ▼ of 14% from 2018**
- Death and Disability claims of **Ushs 510million ▼ of 42% from 2018**

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 2019, 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 300m as at end of Dec 2019 (2018- Ushs164 million).



Mind my Money: Financial Education Program

During the year, Liberty launched the Mind my Money financial literacy program to provide added value to our clients. Liberty created this program to give our clients access to personal financial plans and financial education workshops.

We provide complimentary educational resources to help our clients master their money and pave their way to financial freedom. This is in line with our purpose of improving people's lives by making their financial freedom possible.

The Program helps clients rewrite the story of their money by educating individuals on preparing financial plans.

The Mind My Money financial literacy program enhances our value proposition to our corporate clients by providing their employees with access to personal financial plans and financial education workshops.

Liberty is committed to helping our clients on their journey to becoming financially free and successful. We understand that money and financial success can be emotional and often overwhelming. But, we also understand that it is not impossible and that it is attainable to be financially successful.



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 an 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. During the year, we launched our M&E Health product designed for the SME market. This follows the Essential and Essential Plus health products and Soma Plan that were launched last year that our customers have embraced positively.



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whose priority is your health
and not only your money.

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Terms and Conditions Apply. Liberty Life assurance is regulated by the Insurance Regulatory Authority of Uganda.



LIBERTY

Show your children how much
you love them. Take up an education plan
for them. **Get a quote today**

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LIBERTY

Live well, pass on
with a dignified send off
with our **Solace farewell plan**

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LIBERTY

Get yourself an Individual
Life Cover at Stanbic Bank Uganda.

Talk to the Bancassurance team Today.
Toll-free: 0800250250 | 0800150150 | Bancassurance_ug@stanbic.com

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.



Spacious offices to serve our clients better.

Our head office at 99-101 Buganda Road to provides our clients with **"Insurance's one stop shop"** for Life, Health and General insurance solutions. The offices are spacious and provide our clients with a one stop shop for all their insurance needs under one roof that is closer to the city centre. During the year, we opened an office in Mbarara to bring the Liberty services closer to our clients in the Western Region. We also have offices in Kakira and Mbale that serve our clients in the Eastern region.

To improve accessibility to our products and services,

Liberty has 4 agency offices in Kanjokya, Mbale Kakira and Mbarara 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 35 direct sales agents and 14 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.

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 carried out a wellness program with Pulse Specialist Clinic offering free Breast cancer screening during the year. We also carried out wellness programs with Stanbic Bank and Uganda Breweries Limited during the year.



Participants register at the cancer screening event

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 complaint 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.

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.

Investing in Innovation to meet customer needs:

We aim to simplify, connect and enhance client experiences using Agile work methodologies. The adoption of the Agile methodology for software development and deployment allows Liberty's technology team to deliver incrementally throughout the year rather than provide complete solutions at some future date. 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 also received approval from the regulator for the new **Living Annuity** product.

During the year, we saw further engagement of our customers on our website and facebook and twitter pages. 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.

Our strategic partnerships also enable us to extend our reach to our customers. In a co-insurance partnership with the **Agro Consortium**, we protect financial institutions and farmers against unforeseen losses caused by weather and other factors.





LIBERTY

Locusts can destroy

enough food crops to feed 35,000 people in a single day. Imagine the damage in a month.

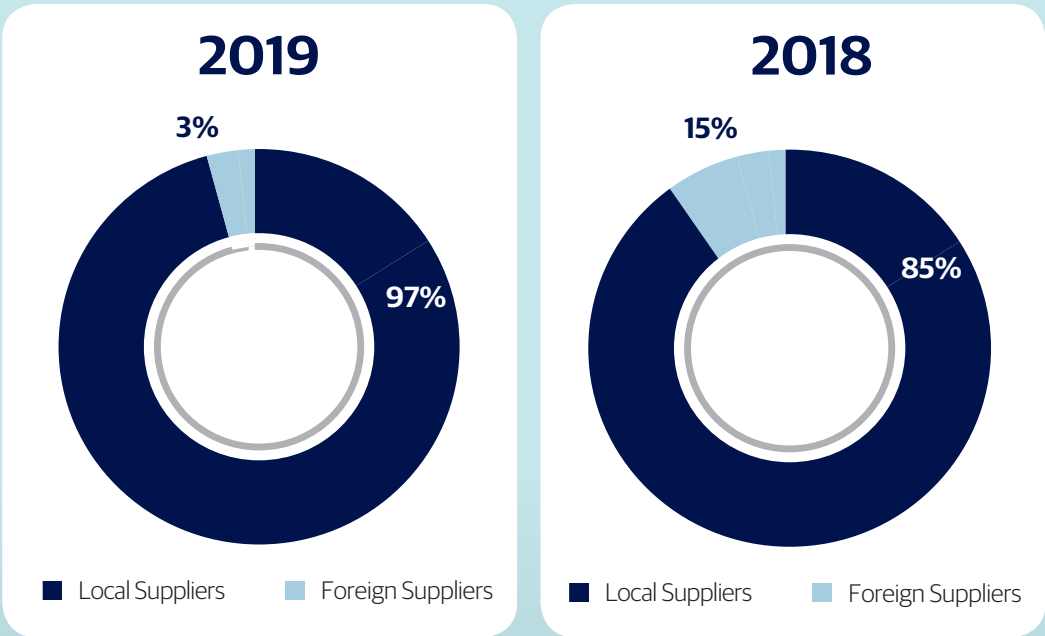
Take precautions against the eventualities.

#TheAdvantageOfKnowing

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 spirit of “Buy Uganda, Build Uganda” (BUBU) policy. 97% of our procurements during the year were done with local suppliers. (2018- 85%)

% Spend on Local Suppliers Vs Foreign Suppliers



Value Created for Employees



Key highlights:

Employee Costs Incurred: **Ushs3.2 billion ▼ 30% (2018 - Ushs4.6 billion)**

Training Spend: **Ushs46m ▼ 46% (2018: Ushs85m)**

Voluntary employee Turnover: **15% (2018 -8%)**

Number of Permanent Salaried workforce: **33 (2018: 32)**

Temporary Staff: **7 (2018 -6)**

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 enable the delivery of the right solutions for our clients, effectively and efficiently. We offer competitive pay and benefits aligned to the market for different functions and skills.

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 in an environment where they are motivated to provide high levels of client service, enthusiastic about Liberty's success and optimistic about their future careers.

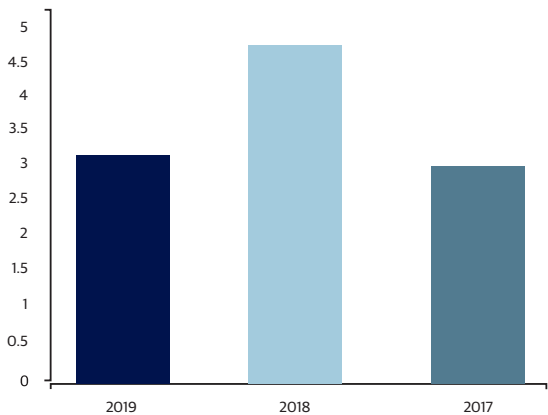
We recognize that a key enabler of a customer-centric culture across our organization is our human capital and the associated technologies. A critical success factor in becoming a customer-oriented organization is the alignment of our people strategy to our group business strategy. We recognize that 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

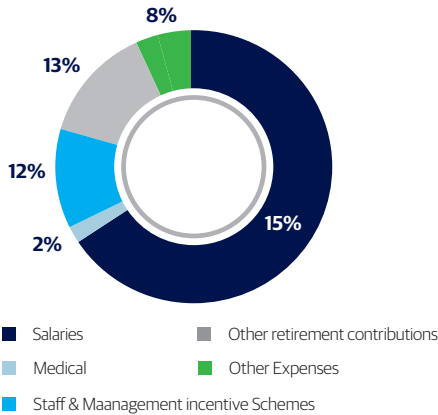
connected with our purpose and our customers; where they are empowered and recognized for delivering against our strategic objectives; and have every opportunity to achieve their full potential. We are committed to investing in the growth and development of our people to meet the requirements of the business.

Total employee costs incurred during the year were Ushs3.2 billion which is 30% decrease on Ushs4.6billion in 2018 due to the organizational redesign in 2018. With 65% being staff salaries. Our staff turnover rate was 15% as we had 5 staff exiting during the year.

**Employee cost incurred
(Ushs Billions)**



Employee Cost Analysis



Other Benefits

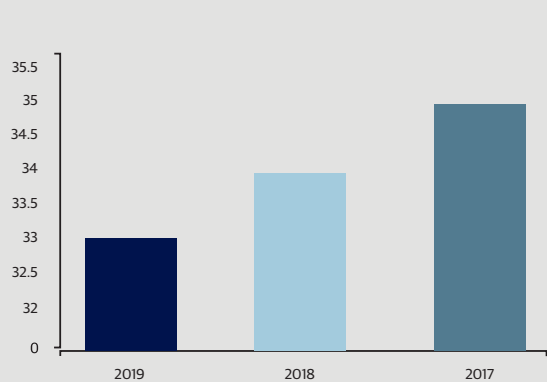
Other benefits enjoyed by our salaried employees include:

- > Life insurance
- > Healthcare
- > Retirement provision
- > Medical aid
- > Parental leave
- > Disability cover

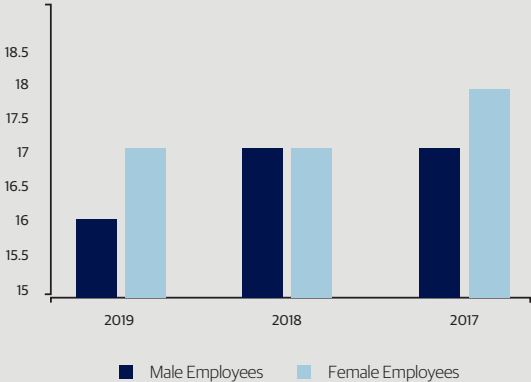
Staff Diversity

Liberty aims to have a diverse and balanced workforce that reflects our societal norms. Our total salaried head-count increased to 33 as at 31 December 2019 (2018: 34) of which 52% were female. We also had 7 temporary staff during the year of which 57% were female. 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%)

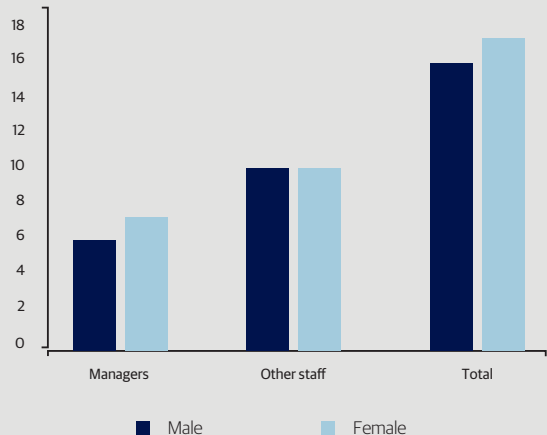
Employee Head count



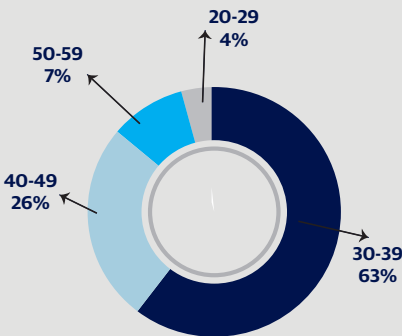
Employee Gender Composition



Managerial and Gender staff dynamics

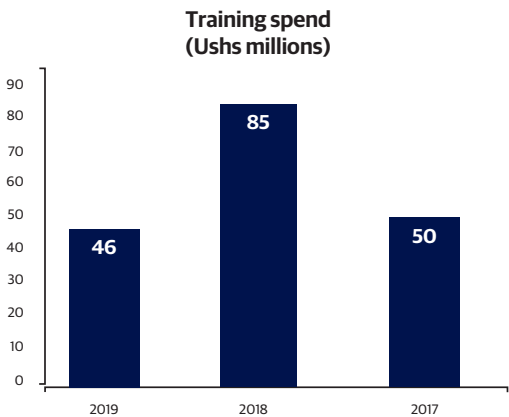


Work force per age category



Staff Training

During the year, several of our staff were trained in Reinsurance, Certificate of Proficiency in Insurance, Diploma in Insurance, Sales, Takaful, Financial planning, International Financial Reporting Standards, Anti Money Laundering, New Products and Cyber insurance. Majority of the trainings were managed inhouse and at the Insurance Training College that provides subsidized trainings on insurance. This contributed to the reduced training costs incurred during the year. The amount of spend on training during the year was Ushs46 million compared to Ushs85 million in 2018. 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.



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

Talent Management

The Management team continued engaging the business on critical and scarce skills, training interventions and talent management to proactively

manage career development, succession planning and employee turnover. During the year some of our senior management benefited from Coaching sessions with a Leadership coach to improve on their leadership and management skills.

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 programs that cater for staff at all levels of the business, and key talent programs that cater for junior up to executive management levels. Critical to the success of Liberty's growth are people, our greatest asset, 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

We recognize 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 strive to create an environment that helps our employees adopt to making healthy choices which address their physical, mental & social wellness.

All our staff and qualifying immediate family members are entitled to medical insurance under the Liberty Health Medical Scheme cover at the cost of the company (2019: Ushs54 million, 2018: Ushs72 million) and have access to more than 100 health service providers across the country.

Through our Human Resource management services contract with Stanbic Bank,

Liberty staff and their families have access to 24-hour counselling services through the International Counselling & Advisory Services (ICAS) platform and also have access to an online health and wellness portal (eCare) that enables them to access health risk assessments, a library of health and wellness information, and professional health experts such as a doctor, psychologist, fitness expert and nutritionist.

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.

In order to enable our staff to work effectively and efficiently throughout the day, water dispensers are provided in the office, Breakfast tea and snacks and lunch is provided at no cost to staff. This fosters employee retention, boosts productivity, supports team building and boosts overall job satisfaction.

As part of the employee wellness program, Liberty facilitates staff membership to gym clubs and Sports Clubs. We participated in the Insurance Industry Sports Gala organized by The Insurance Training College of Uganda and the 2019 Rotary Cancer Run.

Staff Engagement and Communications

As anticipated, the extensive organizational redesign over the course of 2018 and into 2019 introduced anxiety to our employees. The associated changes in job architectures, roles and responsibilities impacted employee morale during the year. In June 2019 we initiated the design of a new employee experience that is closely aligned to the client and financial adviser experience work already completed.



Its stretching time

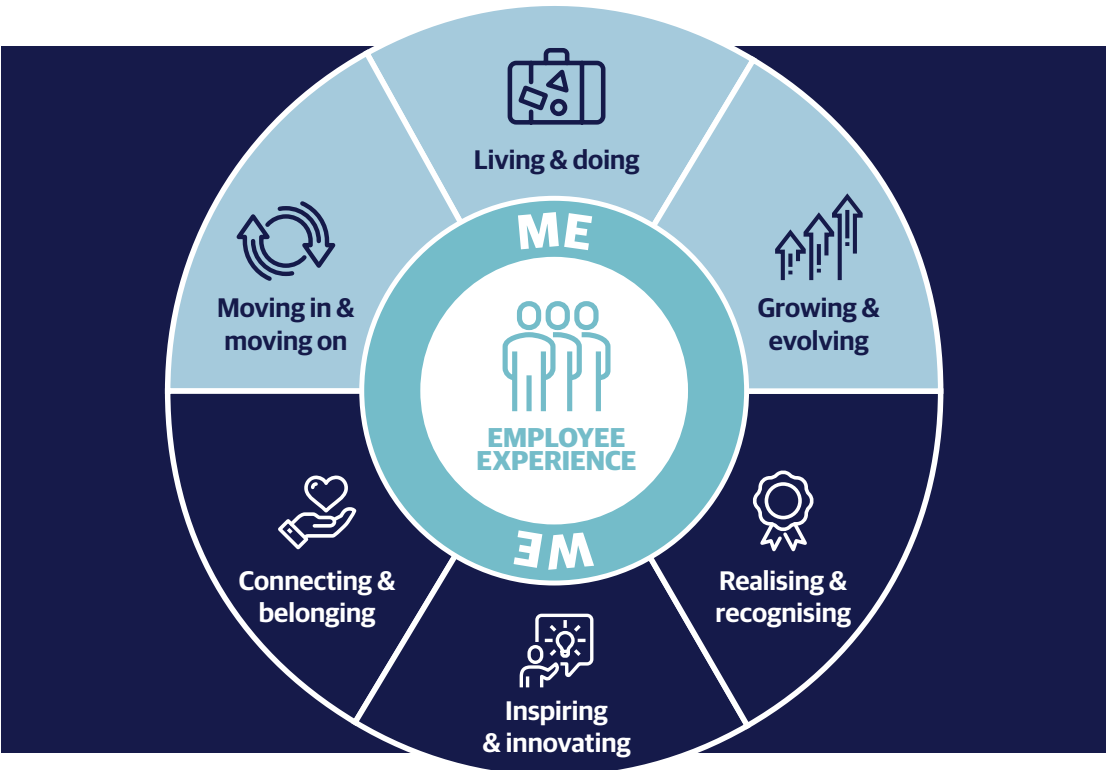
At Liberty Group, the business and the human capital team adopted the employee experience framework, which will see us focus on three primary objectives:

- Deliberately creating an employee experience and a work environment that builds a Liberty culture
- Enabling an employee experience that effectively attracts and retains the right talent
- Focusing on creating value for our employees and in doing so our clients, advisers and Liberty.

Our research indicated that employee experience appears to be an “outcome” or “feeling” being the sum of a series of experiences for employees. These

experiences are influenced by factors ranging from day-to-day exposure to the employee lifecycle to broader elements, such as culture. Employees often find it difficult to differentiate between the various factors. Work began on a toolkit to provide management with a mechanism to help translate strategy messages and to facilitate meaningful conversations with employees to ensure they feel engaged and connected, with the goal being to reduce voluntary employee turnover. We also commenced work on re-establishing a Liberty culture, which we anticipate will strengthen the employee value proposition over time.

Liberty's employee experience framework



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 Key Performance Indicator session and reviews are done half yearly in partnership with the Leadership Team. 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 organization. Our code of ethics ensures that we hold ourselves and our stakeholders to the highest standards of ethical behavior and that Liberty upholds the law and does not tolerate fraud.



Staff share light moments at birthday celebrations, farewell and Christmas party



Long Service Awards: Liberty also values the service and dedication of our staff to our goals, objectives and culture and awards their loyalty by recognizing those who have dedicated their lives and skills to improving people's lives by making their financial freedom possible. These awards are aimed at reinforcing best behaviors and highlighting achievements, along with employee appreciation for their efforts. It is meant as a celebration of the company's success at retaining employees for a longer period, therefore contributing to its reputation as a 'good place' to work in. During the year, Liberty awarded those staff who had attained 10 years and above of service.



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 always encourages interaction at all levels. Departmental meetings are held on a monthly basis while company-wide staff meetings are held at least quarterly. Staff Key Performance Indicator session and reviews are done half yearly in partnership with the Leadership Team. All these avenues provide an excellent working environment. Star performers are recognized for their outstanding performance. During the year, we awarded staff that excelled in various areas.



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 organization. Our code of ethics ensures that we hold ourselves and our stakeholders to the highest standards of ethical behavior and that Liberty upholds the law and does not tolerate fraud.



Liberty's staff training program is informed by the need to transform our work force and to develop capabilities that address current and emerging market trends.



Liberty participates in the 2019 annual conference organised by the IRA as part of its regulatory engagement program

Health and Safety

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, cameras and access door control system, alarm system, security lights and are guarded throughout the day and night and has 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 workplace.

Value created for Government and Regulatory Bodies

Our stakeholders expect us to manage business risk and behave in an ethical manner that ensures compliance with the form and substance of laws, regulations, codes and standards. This builds trust, enhances our reputation, cements our license 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 applicable laws and regulations is of utmost importance to our operations. Any contravention comes at a cost in financial losses, fines or diminished reputational capital.

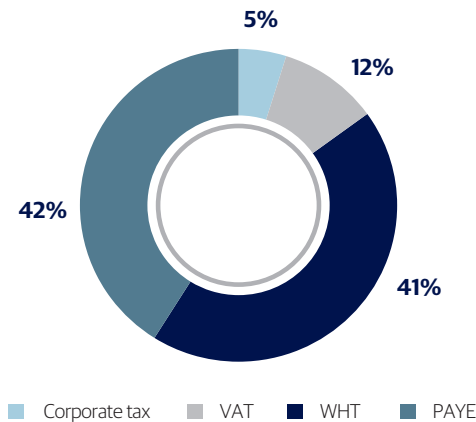
During the year, the following regulatory changes in the Insurance Industry took place;

- The Data Privacy and Protection Act was enacted in February 2019 to protect the privacy of the individual and regulate the collection, processing, use or disclosure of personal information.
- The Insurance Cash and Carry Regulations; with the requirement to pay insurance premiums before issuance of insurance policies.

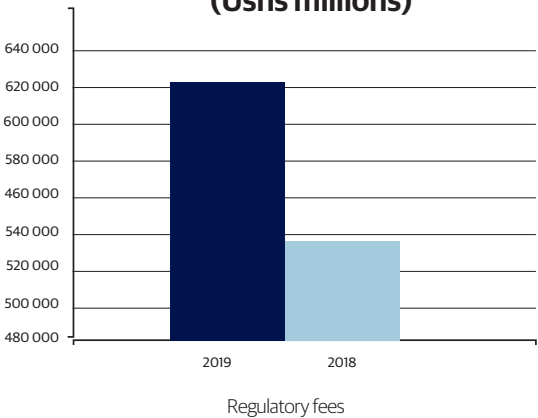
As we prepare for the Risk based supervision, our **Capital Adequacy Ratio** for the year 2019 based on the Risk-Based Capital regulations yet to be launched **was 248%** which is above the regulatory requirement of 200%.

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 engage with our tax consultants during the year on various tax issues so as to remain compliant. 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 Ushs2.6billion (2018-Ushs3.1 billion).**

Composition of Taxes Paid in 2019



Annual Contribution paid (Ushs millions)



The Insurance Regulatory Authority of Uganda (Annual Membership and Deposit Annual Contribution), Uganda Insurers Association (Annual Membership) and the Insurance Training College of Uganda (Annual Membership, Training Levy and C.O.P fees for our agents and staff) were paid on time. The **Annual Contribution** for 2019 was **Ushs623 million (2018 -Ushs534 million).**

The 2020 license application was successfully submitted to IRA and all the necessary clearances were received from our stakeholders (Uganda RE, Insurance Training College 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. Empowering through education Liberty's corporate social investment (CSI) strategy prioritizes education to create opportunities for future employment and contribute to the building of a thriving economy. Liberty recognizes the need to improve financial literacy throughout the broader population, to assist people of all ages to save for their futures and adequately provide for their families.

Financial Literacy: We launched our financial literacy program known as **'Mind my Money'** as a bid to provide added value to our customers, intermediaries, staff and the communities in which we operate. We created the Mind My Money program to give access to personal financial plans and financial education workshops.



Liberty launches the financial literacy program

This is a much-needed gap that we have identified and believe that will provide much needed skills to provide financial freedom to the communities we operate in. During the year, we were able to train our clients, staff and brokers in financial planning.

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 has supported 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.

Support to Cultural Organizations:

During the year we were the titular sponsor for the **Tamil Sangam** Uganda Cultural Music Festival, which is a doing volunteer and social related currently in Uganda and they are sponsoring 10 Ugandan students' secondary education for six years.

One of the strategic thrusts of the Ugandan government is Commercialization of agriculture which seeks to address the country's development

challenges. In the budget for 2019/2020, **the Agricultural sector** was allocated Ushs1.2 trillion which grew by 300 billion from the previous year budget. According to the World Bank, Uganda's agriculture sector plays a critical role in the economy. It accounts for 70 per cent of the country's employment, provides more than half of all exports, and is about one-quarter of Gross Domestic Product (GDP). We support this goal through providing insurance to financial institutions and farmers against unforeseen losses caused by weather and other factors in partnership with the Agro Consortium.

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 into consideration the specific needs of our customers.



Liberty staff at the Tamil Sangam cultural event



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 smart phones, 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 and there was also online circulation of board papers. Due to the above policies put in place, in 2019 our printing and stationery costs were amounting to **Ushs27.8 million down from Ushs89 million in 2018**, amounting to over 100% reduction. **We used 2.5kgs of paper in 2019 compared to 8kg in 2018.**

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 2019 our energy consumption was **53,424 units down 35% from 72,228 units in 2018** due to various cost containment measures initiated by management.

Water Management

Total water consumption at Liberty was down **28% to 287 units in 2019 from 366 units in 2018** due to cost containment measures initiated by management. Water consumption includes usage in kitchens and toilets.

Waste Management:

In order to fulfil 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. For the year 2019, we saved 5.5Kg of paper, 18,804 units of electricity and 79 units of water due to more efficient operation practices.



We engage with our communities and prioritise those relationships that will generate **future value for Liberty and society.**

Corporate social responsibility (CSR) Report

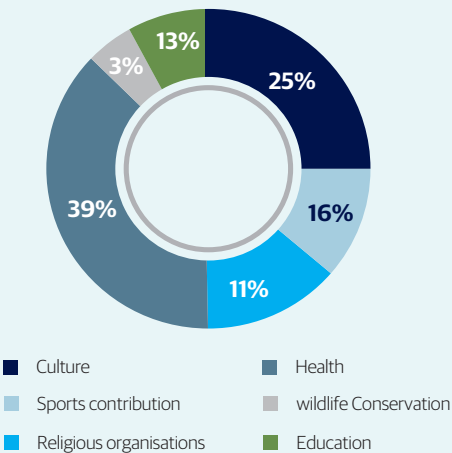
Through targeted and meaningful engagement, we gain an understanding of our communities' needs and insight into the quality of our relationships with these communities.

Liberty's corporate social investment (CSI) strategy prioritises education to create opportunities for future employment and contribute to the building of a thriving economy. Liberty recognises the need to improve financial literacy throughout the broader population, to assist people of all ages to save for their futures and adequately provide for their families.

We understand that our employees enable the delivery of our strategy. We strive to create an environment of empowerment where our employees feel connected with our purpose and the needs of our clients. We invest in the growth and development of our people to allow them to reach their full potential.

We undertook more comprehensive CSR activities in 2019 across various sectors reaching over 150 people. The total CSR spend for 2019 was Shs 29 million representing a 32% increase from the prior year 2018 Spend of shs 22 million and against the 2019 budget of Shs 50 million.

2019 CSR Spend Shs M



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



To contribute towards achievement of improved health care for less disadvantaged persons;



Contribution towards wildlife conservation as part of the overall environmental conservation strategy



Support towards the development of sports.

i) Contribution to education

We believe that quality of education is critical to achieving social and economic growth as means of empowering communities, as well as reducing inequality and poverty.

LLAU contributed to the above by donating to a non-profit organization, 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

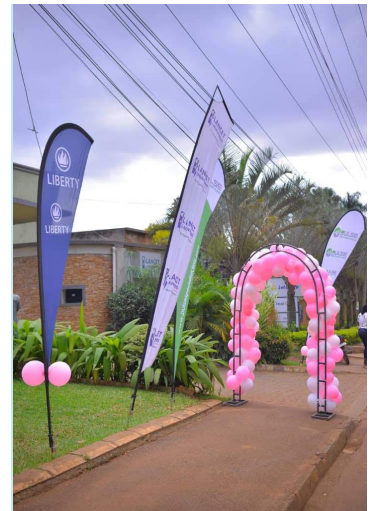
a) Cancer Screening

Breast cancer is the most common cancer in women worldwide. Considerable funding and efforts are invested in breast cancer research and health care, but only a fraction of these reaches women and health care systems in low income such as Uganda.

The company carried out a wellness program with Pulse Specialist Clinic offering free cancer screening during the year with its major objective being early detection to save lives.



Cancer screening event at Pulse specialist clinic



b) Participation in the rotary cancer run

The Rotary Uganda holds an annual cancer run whose proceeds go towards buying two linear accelerators and construction of bunker in Nsambya Hospital. The theme of this year's run was "Keep running." The Company contributed towards this noble cause by donating 1 million and having over 15 of the staff participate in the run, so as to contribute towards achieving excellent objective.



Liberty staff participate in the 2019 cancer run

i) Wildlife conservation

The Company during the year donated to the Ayyappa Seva Sangham to support wildlife conservation as part of the overall environmental protection strategy.

ii) Sports Contribution

The Company participated in the annual insurance sports gala held on the 29th of June 2019 at the Mandela National Stadium organized by the Insurance Training College and the Insurance Regulatory Authority with the theme being "Teaming up for Insurance Growth".



Liberty staff join the rest of the insurers at the 2019 sports gala



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
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

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 (Director) Liberty Holdings (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
Auditor	KPMG Certified Public Accountants 3rd Floor, Rwenzori Courts Plot 2 & 4A Nakasero Road P.O. Box 5309 Kampala, Uganda
Secretary	Koduvayur Parasuraman Eswar Corporate office, Madhvani Group Plot 96/98, 5th street Industrial Area, Kampala



Management Team Contacts

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LIBERTY

Liberty Life Assurance Uganda Limited

Financial Statements
for the year ended 31 December 2019

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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 2019.

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 Companies Act of Uganda and the Insurance Act of Uganda. The accounting policies have been applied in consistency with those applied in prior years unless stated otherwise.

The results of the Company for the year are set out on page 114 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 2019 was Ushs 3 billion (2018: Ushs 3 billion).

4. Dividends

No dividend payment was proposed for the year 2019 (2018: Ushs 5,026 million).

5. Holding company

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

6. Auditor

The Company's auditor, KPMG, who were appointed during the year, and being eligible for reappointment, have expressed their willingness to continue in office in accordance with section 167(2) of the Ugandan Companies Act.

7. Directors

The directors that held office as at 31 December 2019 have been listed.

8. Approval of financial statements

The financial statements were approved at the Board of directors meeting held on 5th March 2020

By order of the Board.



Chairman

Date: 30th March 2020

Statement of directors' responsibilities

The Company's directors are responsible for the preparation of financial statements that give a true and fair view of Liberty Life Assurance Uganda Limited comprising the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, the Companies Act of Uganda and the Insurance Act of Uganda.

The directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern for at least the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the International Financial Reporting Standards, the Insurance Act of Uganda and Companies Act of Uganda.

Approval of the financial statements

The financial statements of Liberty Life Assurance Uganda Limited, as identified in the first paragraph, were approved by the Board of Directors on 5th March 2020



Director

Date: 30th March 2020



Director

Date: 30th March 2020

Independent auditor's report

TO THE MEMBERS OF LIBERTY LIFE ASSURANCE UGANDA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Liberty Life Assurance Uganda Limited ("the Company") set out on pages 114 to 183 which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Liberty Life Assurance Uganda Limited as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act of Uganda and the Insurance Act of Uganda.

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with ethical requirements that are relevant to our audit of the financial statements in Uganda and, we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Key Audit matters

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

Insurance contract liabilities

Refer to Notes 4C and 22 of the financial statements

Key audit matter	How the matter was addressed in our audit
<p>The company has significant insurance contract liabilities. Valuation of these liabilities is highly judgemental, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported to the company. Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation of insurance liabilities.</p> <p>The key assumptions that drive the reserving calculations include graduate development factors, loss ratios, inflation assumptions and claims expense assumptions. The valuation of insurance contract liabilities depends on accurate data extraction from the information system. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate, material impacts on the valuation of insurance liabilities may arise. Consequently, we determined the valuation of insurance contract liabilities to be a key audit matter.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none">• Comparing the assumptions to expectations based on the company's historical experience, current trends and our own industry knowledge;• Using our internal actuarial specialists to review the reserving methodology applied and review the valuation results presented and movements since the previous year end. We focused on understanding the methodologies applied and examined areas of judgement including changes in valuation assumptions;• Evaluating the methodologies and key assumptions used to assess the quality of the procedures applied through the company's reserving process;• Evaluating the governance around the overall company reserving process, including the scrutiny applied by the internal and appointed external actuaries. We assessed qualifications and experience of those responsible and examined the output of the reviews to assess the scope and depth of these processes.• Considering the validity of management's liability adequacy testing by assessing the reasonableness of management's determination of the solvency margin challenging the assumptions adopted in the context of company and industry data and specific product features; and• Considering whether the company's disclosures in relation to the assumptions used in the valuation and key judgements used in determination of insurance contract liabilities are adequate.

Other information

The directors are responsible for the other information. The other information comprises the General Information, Directors' Report, Statement of Directors' responsibilities and Supplementary Information but does not include the financial statements and our auditor's report thereon and the 2019 Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements.

As stated on page 108, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the Companies Act of Uganda and the Insurance Act of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of the 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 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 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 skepticism 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 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, then 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

As required by the Companies Act of Uganda and the Insurance Act of Uganda, we report to you, based on our audit, that:

We have obtained all the information and explanations which, to the best of our knowledge and belief, were considered necessary for the purposes of our audit;

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
The statements of financial position and comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Stephen Ineget – P0401

KPMG

Certified Public Accountants

3rd Floor, Rwenzori courts

Plot 2 & 4A, Nakasero Road

P O Box 3509

Kampala, Uganda

Date: 22 April 2020

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 Ushs'000	2018 Ushs'000
Insurance premium revenue		41,629,983	35,609,656
Reinsurance premiums ceded		(12,969,971)	(14,373,468)
Net insurance premium revenue	6	28,660,012	21,236,188
Investment income on financial assets measured at amortised cost		1,298,201	1,449,736
Other investment income		71,769	35,548
Net impairment loss on financial assets		(33,040)	-
Net Investment income	7	1,336,930	1,485,284
Other (expense)/ income	8	(178,898)	69,566
Other finance costs	9	(101,565)	-
Total income		29,716,479	22,791,038
Claims and policyholders' benefits	10	(15,731,294)	(14,167,742)
Insurance claims recovered from re-insurers	10	10,085,956	9,014,682
Change in policyholder liabilities (net of reinsurance)		858,305	1,607,761
Commission expense		(5,235,168)	(5,075,566)
Commission income		1,378,602	880,230
General marketing and administration expenses	11	(17,409,372)	(14,962,683)
Profit before income tax	13	3,663,508	87,720
Income tax expense	14	(1,025,522)	(39,691)
Profit for the year		2,637,984	48,029
Other comprehensive income		-	-
Total comprehensive income for the year		2,637,984	48,029

The notes set out on pages 118 to 183 form an integral part of these financial statements.

Statement of financial position as at 31 December 2019

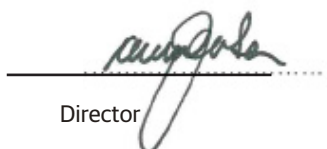
	Note	2019 Ushs'000	2018 Ushs'000
Assets			
Cash and short term deposits	15	5,339,534	4,373,422
Statutory security deposit	15	532,195	486,809
Financial assets at amortised cost	16	13,638,504	15,146,541
Financial assets at fair value	16	104,200	95,000
Unit Trust Investments	17	300,296	164,097
Prepayments, insurance and other receivables	18	6,884,435	7,784,150
Current income tax receivable	14	530,608	391,626
Property and equipment	20	548,008	602,121
Right of use asset	21	1,054,183	-
Intangible assets	19	56,868	85,302
Deferred income tax assets	28	1,413,260	2,216,009
Total Assets		30,402,091	31,345,077
Liabilities			
Policyholders' liabilities		7,198,287	8,148,104
Insurance contracts	22	7,021,983	7,976,537
Investment linked contracts (excluding discretionary participation features (DPF))	22	176,304	171,567
Insurance and other payables	23	2,074,637	5,610,855
Employee benefits	24	392,414	70,493
Lease liabilities	21	1,121,828	-
Amounts due to related parties	29	5,602,997	6,141,681
Total Liabilities		16,390,163	19,971,133
Equity			
Ordinary shareholders' interests			
Share capital	25	3,000,000	3,000,000
Capital reserve	26	1,320,495	1,188,596
Contingency reserve	26	4,588,434	4,172,134
Retained earnings	27	5,102,999	3,013,214
Total Equity		14,011,928	11,373,944
Total Equity and Liabilities		30,402,091	31,345,077

The notes set out on pages 118 to 183 form an integral part of these financial statements.

The financial statements on pages 114 to 183 were approved for issue by the Board of Directors on 5 March 2020 and signed on its behalf by:



Director



Director

Statement of changes in equity for the year ended 31 December 2019

	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 2018						
At the start of the year		3,000,000	1,186,195	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	26	-	2,401	-	(2,401)	-
Transfer to contingency reserve	26	-	-	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
Year ended 31 December 2019						
At the start of the year		3,000,000	1,188,596	4,172,134	3,013,214	11,373,944
Comprehensive income:						
Profit for the year		-	-	-	2,637,984	2,637,985
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	2,637,984	2,637,985
Transaction with owners:						
Transfer to capital reserve	26	-	131,899	-	(131,899)	-
Transfer to contingency reserve	26	-	-	416,300	(416,300)	-
Transactions with Owners		-	131,899	416,300	(548,199)	-
At end of year		3,000,000	1,320,495	4,588,434	5,102,999	14,011,928

The notes set out on pages 118 to 183 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2019

	Note	2019 Ushs'000	2018 Ushs'000
Cash flows from operating activities			
Cash generated from operations	30	499,305	5,474,101
Other finance costs – interest on leases paid	21(g)	(101,565)	-
Income tax paid	14	(140,830)	(1,192,081)
WHT Paid		(220,925)	(212,647)
Net cash from operating activities	30	35,985	4,069,373
Cash flows from investing activities			
Purchase of property and equipment	20	(121,932)	(195,204)
Financial assets at amortised cost		1,465,797	2,172,120
Unit trust investment		(136,199)	-
Net cash from investing activities		1,207,666	1,976,916
Cash flows from financing activities			
Payment for lease liability	21(g)	(232,153)	-
Dividends paid		-	(5,026,211)
Total cash movement for the year		1,011,498	1,020,078
Cash at start of year		4,860,231	3,840,153
Total cash at end of year	15	5,871,729	4,860,231

The notes set out on pages 118 to 183 form an integral part of these financial statements.

Notes

1. Reporting entity

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.

2. Basis of preparation

The 2019 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 stated otherwise. The comparative figures represent amounts in respect of the year ended 31 December 2018.

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 2019 and has been consistently applied to all periods presented unless stated otherwise.

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.

3. Changes in significant accounting policies

The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

i) As a lessee

As a lessee, the Company leases office premises. The Company previously classified these leases as operating leases under IAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for leases of branch and office premises – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for leases of office premises the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

i) As a lessee (continued)

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- relied on its assessment of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low-value assets
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

ii) Impact on financial statements

On transition to IFRS 16, the Company recognized additional right of use assets and additional lease liabilities. The Company did not adjust retained earnings given the fact that the modified retrospective approach was adopted and the initial application date of each contract considered as a lease was therefore 1 January 2019.

The impact on initial application is as shown below;

1 January 2019	Ushs' 000
Right of Use asset presented in	
Equipment	1,353,982
Lease liabilities	1,353,982

For the impact of IFRS 16 on the profit or loss for the period, refer to note 21.

When measuring lease liabilities for leases that were classified as operating leases, the Company

discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 9%.

1 January 2019	Ushs' 000
Operating lease commitments as at 31 December 2018	1,681,484
Discounted using the incremental borrowing rate of 9% at 1 January 2019	1,403,117
Recognition exemption for leases of low-value assets	-
Recognition exemption for leases with less than 12 months of lease term at transition	(49,135)
Lease liabilities at 1 January 2019	1,353,982

iii) The Company acting as a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Company acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual

values used in calculating the gross investment in the lease.

Policy applicable as at 1 January 2019. On assessment, the company didn't act as a lessor during the period.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, these accounting policies have been applied consistently throughout the year.

A. Property 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.

The carrying amount of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property and equipment (calculated as the net difference between the net disposal proceeds and the carrying amount of the item) is recognised in the profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is recognised in the statement of comprehensive income on the straight-line basis at rates appropriate to the expected useful life of the assets. Depreciation is calculated on the cost less any impairment and expected residual value. The estimated useful life applied is 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 reviewed at each reporting date and adjusted if appropriate.

B) Intangible assets

Software intangible

Software intangible is measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset only if the Company can demonstrate technical feasibility to complete the development of the software, its intention and the availability of resources to complete the development and to use the software and its ability to use the software in a manner that will generate probable future economic benefits and measure the expenditure reliably.

Subsequent expenditure on internally developed software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as it is incurred.

Customer relationships and contracts

Customer relationships and contracts that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

These assets include portfolios of life insurance contracts acquired, access to distribution networks and customer lists and management service rights for investment contracts acquired.

B) Intangible assets (continued)

The estimated life is re-evaluated on at the end at each reporting date and adjusted if appropriate.

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

C) 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 company about the following events:

- (O) significant financial difficulty of the issuer or debtor;
- (i) a breach of contract, such as a default or delinquency in payments;
- (ii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- (iii) the disappearance of an active market for that financial asset because of financial difficulties; or
- (iv) 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 company, including
 - adverse changes in the payment status of issuers or debtors in the company; or
 - national or local economic conditions that correlate with defaults on the assets in the company.

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

If the company 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 company may measure impairment on the basis of an instrument's fair value using an observable market price less cost to sell.

C) Impairment (continued)

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 company'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.

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.

D) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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)

D) Financial Instruments (continued)

- 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

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 2019.

Financial Assets 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.

D) Financial Instruments (continued)

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.

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 IFRS 9 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 pass-through 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.

D) Financial Instruments

(continued)

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 2019.
- 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.

E) 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 from the date of acquisition.

These balances are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of their short-term commitments.

Bank overdrafts that are payable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purposes of the cashflows.

F) 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 37 of the Ugandan Insurance Act 2017, 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 2019 was Ushs 3 billion (2018: Ushs 3 billion).

G) Dividend distribution

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

H) 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.

H) Policyholder insurance contracts (continued)

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 payables.

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.

I) 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.

J) 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.

K) 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.

L) 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 Company has a present legal or constructive obligation and the amount can be reliably measured.

M) 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.

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.

N) 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.

O) Leases

a) Leases

The Company applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Company has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

O) Leases (continued)

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using

the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents right-of-use assets in 'equipment' and lease liabilities in 'other payables and accruals' in the statement of financial position.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

As a lessee

The Company did not have any finance leases.

Assets held under other leases were classified as

operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

P) Critical accounting estimates, judgements and errors

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:

P) Critical accounting estimates, judgements and errors (continued)

Life fund

The 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 (2018: 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 7,198 million (2018: Ushs 8,148 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).

Premium receivables

The Company reviews its receivables to assess impairment at least on annual basis. In determining

whether an impairment loss should be recorded in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors.

Management uses estimates based on historical loss experience for receivables with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The Company further uses days past due to determine the appropriate impairment losses from premium receivables. All receivables that are past due by more than 180 days are deemed fully impaired.

Financial assets at amortised cost

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows

due in accordance with the contract and all the cash flows that the Company expects to receive, derived as a product of Exposure at Default, Probability of Default and the Loss Given Default (LGD).

P) Critical accounting estimates, judgements and errors (continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial

Standard	Interpretation	Date issued by IASB	Effective date periods beginning on or after
IFRS 16	Leases	January 2016	January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	June 2017	January 2019
Amendment to IFRS 9	Prepayment Features with Negative Compensation	October 2017	January 2019
Amendment to IAS 28	Long-term Interests in Associates and Joint Ventures	October 2017	January 2019
IAS 19 amendment	Plan Amendment, Curtailment or Settlement	February 2018	January 2019
Annual Improvements to IFRS Standards 2015/2017 Cycle various standards	Various	December 2017	January 2019

asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Q) 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 1 January 2019 and have been applied in preparing these financial statements.

These standards are set out as below;

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position.

Lessees are 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 depreciated in a similar way to other assets such as property and equipment.

Q) New and amended standards adopted by the Company (continued)

The Company has adopted IFRS 16 as issued by the IASB in January 2016 with a date of transition of 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Company did not early adopt IFRS 16 in previous periods.

The effect of adopting IFRS 16 has been disclosed in note 21 of these financial statements.

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. These amendments have not had any impact on the financial statements of the Company.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019. These amendments have not had any impact on the financial statements of the Company.

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 have had no impact on its financial statements.

Q) New and amended standards adopted by the Company (continued)

Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)

The IASB's amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments clarify that:

- On amendment, curtailment or settlement of a defined benefit plan, it is now mandatory for entities to use the updated actuarial assumptions to determine the current service cost and net interest for the period; and
- The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019.

The interpretation has not had any impact 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.

These amendments have not had 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.

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.

Standard	Interpretation	Date issued by IASB	Effective date periods beginning on or after
Conceptual Framework amendments	Amendments to References to Conceptual Framework in IFRS Standards	March 2018	January 2020
IFRS 3 amendment	Definition of a Business	October 2018	January 2020
Definition of Material	Amendments to IAS 1 and IAS 8	October 2018	January 2020
IFRS 17	Insurance Contracts	May 2015	January 2021
IFRS 10 and IAS 28 amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Deferred indefinitely

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019.

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, there is no 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.

This is applicable for annual reporting periods beginning on or after 1 January 2019. This amendment has no impact on the financial statements of the company as it currently does not have transactions of this nature but will apply to future borrowings.

R) New and amended standards and interpretations in issue but not yet adopted by the company

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2019, and have not been applied in preparing these financial statements.

These are stated below;

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Although we expect this to be rare, some companies

may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

The company is assessing the potential impact of this interpretation on the financial statements.

Definition of a Business (Amendments to IFRS 3)

Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.

In October 2018 the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

- Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs.

R) New and amended standards and interpretations in issue but not yet adopted by the company (continued)

- Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a

single asset or group of similar assets.

The amendments are effective for 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 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

These amendments are not expected to have a significant impact on the financial statements of the Company.

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 that this will have on the Company's financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

The company is assessing the potential impact of this interpretation on the financial statements.

R) New and amended standards and interpretations in issue but not yet adopted by the company (continued)

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.

These amendments are not expected to have a significant impact on the financial statements of the Company.

5. Risk management

i) 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)	ii
Risk appetite and capital management	iii
Risk categories:	
Strategic	iv
Insurance	v
Financial Market	vi
Credit	vii

Liquidity	viii
Operational	ix
Reputational	x
Concentration	xi

ii) 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.

a) 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 auditor, 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

1	2	3	4	5	6
Strategic and business risk	Insurance risk	Market risk	Credit risk	Liquidity risk	Operational risk

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.

a) 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:

Solvency Risk Reputation Impact

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

iii) Risk appetite and capital management

a. 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 2.91 (2018: 3.12) 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.

b. 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.

	2019 Ushs'000	2018 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	(6,220,024)	(7,944,488)
Target CAR Ratio (times)	3.0	3.0
Actual CAR Ratio (times)-Statutory basis	2.91	3.12
Total assets	30,402,091	31,345,077
Total liabilities	(16,390,162)	(19,971,133)
Liabilities under insurance contracts	(7,021,983)	(7,976,537)
Liabilities under investment contracts with DPF	(176,304)	(171,567)
Other Liabilities	(9,191,875)	(11,823,029)
Excess of assets over liabilities	14,011,929	11,373,944
Total assets	28,770,501	27,572,723

Total liabilities	(20,978,596)	(24,143,267)
Policyholder liabilities	(7,198,287)	(8,148,104)
Other liabilities	(13,780,309)	(15,995,163)
Excess of assets over liabilities	7,791,905	3,429,456
Excess of assets over liabilities - statutory basis	7,791,905	3,429,456
Excess of assets over liabilities published	(14,011,929)	(11,373,944)
Difference	(6,220,024)	(7,944,488)

Details of admitted assets and admitted liabilities are as shown below;

	Statement of financial position		Amount admissible		Percentage admissible	
	2019	2018	2019	2018	2019	2018
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	%	%
Cash and short term deposits	5,339,534	4,373,422	5,339,534	4,373,422	100%	100%
Statutory Security Deposit	532,195	486,809	532,195	486,809	100%	100%
Financial assets at amortised cost	13,638,504	15,146,541	13,638,504	15,146,541	100%	100%
Financial assets at fair value	104,200	95,000	104,200	95,000	100%	100%
Unit trust investments	300,296	164,097	300,296	164,097	100%	100%
Prepayments, Insurance and other receivables	6,884,435	7,784,150	6,809,349	4,565,337	99%	59%
Current income tax receivable	530,608	391,626	530,608	391,626	100%	100%
Property, Plant and Equipment	548,008	602,121	102,555	133,882	19%	22%
Right of use asset	1,054,183	-	-	-	0%	0%
Intangible assets	56,868	85,302	-	-	0%	0%
Deferred income tax assets	1,413,260	2,216,009	1,413,260	2,216,009	100%	100%
Total assets	30,402,091	31,345,077	28,770,501	27,572,723		
Share capital	3,000,000	3,000,000	-	-	0%	0%
Capital reserve	1,320,495	1,188,596	-	-	0%	0%
Contingency reserve	4,588,434	4,172,134	4,588,434	4,172,134	100%	100%
Retained earnings	5,103,000	3,013,214	-	-	0%	0%
Total equity	14,011,929	11,373,944	4,588,434	4,172,134		
Liabilities						
Insurance contract liabilities	7,021,983	7,976,537	7,021,983	7,976,537	100%	100%

Investment linked contracts (excluding DPF)	176,304	171,567	176,304	171,567	100%	100%
Insurance and other payables	2,074,636	5,610,855	2,074,636	5,610,855	100%	100%
Employee benefits	392,414	70,493	392,414	70,493	100%	100%
Lease liabilities	1,121,828	-	1,121,828	-	100%	100%
Amounts due to related parties	5,602,997	6,141,681	5,602,997	6,141,681	100%	100%
Total liabilities	16,390,162	19,971,133	16,390,162	19,971,133		
Total equity and liabilities	30,402,091	31,345,077	20,978,596	24,143,267		
Excess of admitted liabilities over admitted assets	14,011,929	11,373,944	7,791,905	3,429,456		

iv) 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.

a) 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.

b) 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.

c) 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.

v) Insurance risk

a) Introduction

Insurance 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 behavior 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 policies 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.

vi) Financial Market risk

a) 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.

b) 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.

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	2019 Ushs'000	2018 Ushs'000
Financial instruments	13,742,704	15,241,541
Prepayment insurance and other receivables	6,884,435	7,784,150
Statutory Security Deposit	532,195	486,809
Cash and cash equivalents	5,339,534	4,373,422
Unit trust investments	300,296	164,097
Insurance and other receivables (excluding prepayments)	6,231,720	7,113,731
Total Financial and Insurance assets	33,030,884	35,163,750

c) Interest rate risk

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.

Fixed interest rate financial instruments expose the company to fair value interest rate risk. Variable interest rate financial instruments expose the company to cash flow interest rate risk.' The Company's fixed interest rate financial instruments are government securities and deposits with financial institutions. Investment contracts with fixed and guaranteed terms, government securities and deposits with financial institutions held to maturity that are accounted for at amortised cost are not sensitive to changes in the level of interest rates.

Sensitivity analysis

The table below summarises the company's exposure to interest rate risk as at 31 December 2019 and 31 December 2018;

	2019			2018		
	ZAR	USD	Total	ZAR	USD	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Amount due to Group companies	1,485,026	215,552	1,700,578	2,899,000	298,995	3,197,995
Cash and short-term deposits	1,583	922,715	924,298	556	101,319	101,875
	1,486,609	1,138,267	2,624,876	2,899,556	400,314	3,299,870

	Average interest rate	31-Dec-19	31-Dec-18
		Ushs'000	Ushs'000
Unit trust investment balance	7%	300,296	164,097
		300,296	164,097

A +/-2 movement in the interest rates would have an impact of +/- Ushs 392,000 on the profit of the company.

d) 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 and US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. This is managed by matching/ tagging the liabilities with similar currency denominated liabilities. The company had the following significant foreign currency positions (all amounts expressed in Uganda Shillings): At December 31, 2019, if the currency had weakened / strengthened by 5 % against the South African Rand and the USD with all other variables held constant, post-tax profit for the year would have been Ushs 74million and Ushs 35 million higher or (lower) respectively, mainly as a result of foreign exchange gains / (losses) on translation of Rand and USD denominated related party transactions

	ZAR	USD
+5% movement	(74,195)	35,358
- 5% movement	74,195	(35,358)

vii) 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.

a. 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.

b. Financial assets

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

c. 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 (56%). 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 2019.

	AAA	AA	A	B+	Not rated	Total Carrying value
At December 31 2019	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Financial Instruments	11,889,648	-	-	1,748,856	104,200	13,742,704
Insurance and other receivables (excluding prepayments)	-	-	-	-	6,231,720	6,231,720
Statutory security deposit	532,195	-	-	-	-	532,195
Unit trust investments	-	-	-	300,296	-	300,296
Cash at bank	-	-	-	-	5,339,534	5,339,534
Total assets bearing credit risk	12,421,843	-	-	2,049,152	11,675,454	26,146,449
At December 31 2018						
Financial Instruments	7,121,503	-	-	8,025,038	95,000	15,241,541
Insurance and other receivables (excluding prepayments)	-	-	-	-	7,113,731	7,113,731
Statutory security deposit	486,809	-	-	-	-	486,809
Unit trust investment	-	-	-	164,097	-	164,097
Cash at bank	-	-	-	-	4,373,422	4,373,422
Total assets bearing credit risk	7,608,312	-	-	8,189,135	11,582,153	27,379,600

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.

d) 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	Overall Company investment Ushs'000	Exposure to Standard Bank Ushs'000	%
2019			
Equity instruments-Uganda re	104,200	-	-
Financial instruments	13,638,504	-	-
Statutory Security Deposit	532,195	-	-
Unit trust investment	300,296	-	-
Cash and cash equivalents	5,339,534	3,156,819	59.1
Total exposure to Standard Bank	19,914,729	3,156,819	15.9
2018			
Equity instruments-Uganda Re	95,000	-	-
Financial instruments	15,146,541	-	-
Statutory Security Deposit	486,809	-	-
Unit trust investment	164,097	-	-
Cash and cash equivalents	4,373,422	2,513,130	57.5
Total exposure to Standard Bank	20,265,869	2,513,130	12.4

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

	2019	2018
	Ushs'000	Ushs'000
Past due but not impaired:		
- by up to 30 days	752,123	428,191
- by 31 to 60 days	-	-
Total past due but not impaired	752,123	
Impaired-past due by >60 days	160,911	80,018
Total	913,034	508,209

No collateral is held for any of the above assets. All receivables that are either past due or impaired are within their approved credit limits and no receivables have had their terms renegotiated. All receivables past due by more than 60 days are considered to be impaired, and are carried at their estimated recoverable value.

viii) 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.

2019

Year ended 31 December 2019	0-3 months	Less than 1 year	1 year to 5 years	Over 5 years	Contractual cashflow	carrying value
Assets	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Financial assets	-	13,698,860	298,232	104,200	14,101,292	13,742,704
Prepayments, insurance and other receivables	-	3,638,132	2,593,588	-	6,231,720	6,231,720
Cash and short-term deposits	5,339,534	-	-	-	5,339,534	5,339,534
Statutory security deposit	-	569,294	-	-	569,294	532,195
Unit trust investment	-	324,824	-	-	324,824	300,296
Total assets	5,339,534	18,231,110	2,891,820	104,200	26,566,664	26,146,449

	0-3 months	Less than 1 year	1 year to 5 years	Over 5 years	Contractual cashflow	carrying value
Liabilities	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Insurance contracts	-	6,893,427	80,643	47,913	7,021,983	7,021,983
Investment linked contracts (excluding discretionary participation features (DPF))	-	176,304	-	-	176,304	176,304
Employee benefits	392,414	-	-	-	392,414	392,414
Insurance and other payables	608,882	1,465,755	-	-	2,074,637	2,074,637
Lease liability	-	350,941	947,238	-	1,298,179	1,121,828
Amounts due to related parties	-	5,387,445	-	-	5,387,445	5,387,445
Total Liabilities	1,001,296	14,273,872	1,027,881	47,913	16,350,962	16,174,611
Net Liquidity gap	4,338,238	3,957,238	1,863,939	56,287	10,215,702	9,971,838

2018

Year ended 31 December 2018	0-3 months	Less than 1 year	1 year to 5 years	Over 5 years	Contractual cashflow	carrying value
Assets	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Financial instruments	-	13,856,322	1,372,627	95,000	15,323,949	15,241,541
Prepayments, insurance and other receivables	-	4,428,631	2,685,100	-	7,113,731	7,113,731
Cash and short-term deposits	4,373,422	-	-	-	4,373,422	4,373,422
Statutory security deposit	-	518,144	-	-	518,144	486,809
Unit trust investment	-	177,110	-	-	177,110	164,097
Total assets	4,373,422	18,980,207	4,057,727	95,000	27,506,356	27,379,600

Year ended 31 December 2018	0-3 months	Less than 1 year	1 year to 5 years	Over 5 years	Contractual cashflow	carrying value
Liabilities	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Insurance contracts	-	6,984,572	779,613	212,352	7,976,537	7,976,537
Investment linked contracts (excluding discretionary participation features (DPF))	-	171,567	-	-	171,567	171,567
Employee benefits	70,493	-	-	-	70,493	70,493
Insurance and other payables	606,686	5,004,169	-	-	5,610,855	5,610,855
Amounts due to related parties	-	6,141,681	-	-	6,141,681	6,141,681
Total Liabilities	677,179	18,301,989	779,613	212,352	19,971,133	19,971,133
Net Liquid gap	3,696,243	678,218	3,278,114	(117,352)	7,535,223	7,408,467

a) Liquidity profile of financial assets

The Company's financial assets are very liquid as illustrated in the table below;

Financial asset liquidity	2019	2018
Liquid assets	18%	16%
Medium assets	82%	84%
	100%	100%

Liquid assets are those that are considered to be realisable within one month (e.g. cash, listed equities, term deposits).

Medium assets are those that are considered to be realisable within six months (e.g. Insurance and other debtors)

b) 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 2019	0 - 3 months	Less than 1 year	carrying value
	Ushs'000	Ushs'000	Ushs'000
Employee benefits	392,414	-	392,414
Insurance and other payables	608,882	1,681,306	2,290,188
Lease liability	-	1,121,828	1,121,828
Amounts due to group companies	-	5,387,445	5,387,445
Total	1,001,296	8,190,579	9,191,875
Year ended 31 December 2018			
Employee benefits	70,493	-	70,493
Insurance and other payables	606,686	5,004,169	5,610,855
Amount due to Group Companies	-	6,141,681	6,141,681
Total	677,179	11,145,850	11,823,029

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.

2019	Investment contracts excluding Discretionary features	Insurance contracts	Total Policyholder Liabilities
	Ushs'000	Ushs'000	Ushs'000
Total policyholder liabilities			
Within 1 year	176,304	6,835,032	7,011,336
2 - 5 years	-	80,643	80,643
6 - 10 years	-	27,346	27,346
11 - 20 years	-	36,730	36,730
Over 20 years	-	42,232	42,232
Total liabilities	176,304	7,021,983	7,198,287

The following table shows the cash value for policyholders' liabilities:

2019	Carrying value Ushs'000	Surrender Value Ushs'000
Insurance contracts	7,021,983	2,523,743
Investment contracts excluding DPf	176,304	164,003
Total policyholder liabilities	7,198,287	2,687,746

Year ended 31 December 2018	Investment contracts Ushs'000	Insurance Contracts Ushs'000	Total Policyholder Liabilities Ushs'000
Total policyholder liabilities			
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 liabilities	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 with excluding DPF	171,567	159,597
Total Policy holder liabilities	8,148,104	6,478,630

ix) Operational risk

a. 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

b. 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.

c. **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.

d. **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 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.

e. 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.

f. 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.

x) 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.

xi) Concentration risk

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.

Asset management

The Company's assets are managed internally by management.

6. Premiums

	2019 Ushs'000	2018 Ushs'000
Insurance premiums from insurance contracts	41,629,983	35,609,656
Reinsurance premiums	(12,969,971)	(14,373,468)
Net insurance premium revenue	28,660,012	21,236,188
Comprising:		
Recurring	32,449,333	26,286,926
Group risk	4,231,402	4,112,688
Single premium	4,949,248	5,210,042
	41,629,983	35,609,656
Less: Premium ceded to reinsurers	(12,969,971)	(14,373,468)
Net premium income from insurance contracts	28,660,012	21,236,188

7. Investment income

	2019 Ushs'000	2018 Ushs'000
Financial assets held at amortized cost		
Investment income	1,298,201	1,449,736
Interest income on current accounts	71,769	35,548
Net impairment loss on financial assets	(33,040)	-
Total investment income	1,336,930	1,485,284

8. Other income

	2019 Ushs'000	2018 Ushs'000
Sundry (losses) / income	(27,571)	-
Foreign exchange (losses)/ gains	(151,327)	69,566
Total other income	(178,898)	69,566

9. Other finance costs

	2019 Ushs'000	2018 Ushs'000
Interest on finance lease	101,565	-
	101,565	-

10. Claims and policyholders' benefits

	2019 Ushs'000	2018 Ushs'000
Death and physical health claims	15,731,294	14,167,742
Insurance claims recovered from re-insurers	(10,085,956)	(9,014,682)
Net insurance benefits and claims	5,645,338	5,153,060

11. General marketing and administration expenses

General marketing and administration expenses include the following:

	2019 Ushs'000	2018 Ushs'000
Staff costs	2,976,570	3,050,743
Subscriptions	5,677,502	2,867,327
Fees paid for administration services	2,211,937	2,496,986
Advertising	266,383	763,072
Other expenses	895,197	961,105
Amortisation (note 19)	28,434	106,479
Travel – local	123,187	166,768
Directors' fees	292,155	247,506
External audit fees	122,956	162,605
Internal audit fees	194,630	75,101
Office rent	49,134	209,149
Insurance	23,053	39,930
Other staff costs	155,032	159,111
Training	45,703	18,337
Depreciation (note 20)	176,045	155,108
Depreciation- Right of use asset (note 21)	299,799	-
Repairs and maintenance expense	15,158	62,982
Bad debts	32,052	(94,146)
Profit share expenses	3,824,445	3,514,520
	17,409,372	14,962,683

12. Staff costs

	2019 Ushs'000	2018 Ushs'000
Staff salaries	2,584,156	2,980,250
Provision for Bonus	392,414	70,493
	2,976,570	3,050,743

The average number of employees of the company during the year was 33 (2018:49)

13. Profit / (loss) before tax

Profit/ (loss) after tax is stated after charging

	2019 Ushs'000	2018 Ushs'000
Auditor's remuneration (Note 11)	122,956	162,605
Amortization of intangible assets (Note 19)	28,434	106,479
Depreciation (Note 20)	176,045	155,108
Right of Use Depreciation (Note 21)	299,799	-
Wages and Salaries (Note 12)	2,976,570	3,050,743

14. Income tax expense

	2019 Ushs'000	2018 Ushs'000
Current income tax	1,848	-
WHT on government securities	220,925	212,647
Deferred income tax	802,749	(172,956)
Income tax expense	1,025,522	39,691

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:

	Effective tax rate %	2019 Ushs'000	Effective tax rate %	2018 Ushs'000
Profit before income tax		3,663,508		87,720
Tax calculated at the statutory income tax rate of 30%	30%	1,099,052	30%	26,316
Tax effects of :				
Income taxable at 10% as a final tax	3.02%	110,462	121%	106,323
Expenses not deductible for tax purposes	(5.02%)	(183,956)	(106%)	(92,948)
Prior year deferred tax adjustment	(0.009%)	(36)		-
Income tax expense for the year	28%	1,025,522	45%	39,691

Income tax recoverable

	2019 Ushs'000	2018 Ushs'000
Tax payable at start of year	(391,626)	800,456
Current income tax charge	1,848	-
Tax paid	(140,830)	(1,192,082)
Tax (receivable)/ payable at end of year	(530,608)	(391,626)

15. Cash and short-term deposits

	2019 Ushs'000	2018 Ushs'000
Cash at Bank and on hand	5,339,534	4,373,422
Statutory Security Deposit	532,195	486,809
Total cash and short-term deposits	5,871,729	4,860,231

The carrying value of Cash and short-term deposits is approximately equal to the fair value.

16. Debt and equity instruments

	2019 Ushs'000	2018 Ushs'000
At amortised cost		
Government securities	11,920,040	7,121,503
Fixed deposits	1,751,504	8,025,038
Provision for impairment	(33,040)	-
	13,638,504	15,146,541
At FVTPL		
Unlisted equity securities - investment in Uganda Re	104,200	95,000
	13,742,704	15,241,541

	2019 Ushs'000	2018 Ushs'000
Maturity profile of government securities and fixed deposits - gross:		
Less than 1 year	13,355,000	13,773,914
1 – 5 years	316,544	1,372,627
Total	13,671,544	15,146,541

The weighted average effective interest rate on debt and equity instruments as at 31 December 2019 was 11.4% (2018: 10.03%).

17. Unit trust investments

	2019 Ushs'000	2018 Ushs'000
Unit trust investment balance	300,926	164,097
	300,926	164,097

18. Prepayments, insurance and other receivables

	2019 Ushs'000	2018 Ushs'000
Outstanding premium receivables	2,725,098	3,920,422
Reinsurance recoveries	913,034	508,209
Reinsurers' share of insurance contract liabilities (note 22)	2,593,588	2,685,100
Prepayments and other debtors	652,715	670,419
Total prepayments, insurance and other receivables	6,884,435	7,784,150

Prepayments, insurance and other receivables are settled no more than 12 months after the reporting date. All balances are non-interest bearing. The carrying value of prepayments, insurances and other receivables is approximately equal to the fair value.

19. Intangible assets

	2019			2018		
	Cost Valuation Ushs'000	Accumulated amortisation Ushs'000	Carrying value Ushs'000	Cost Valuation Ushs'000	Accumulated amortisation Ushs'000	Carrying value Ushs'000
Value of in-force business	690,000	(633,132)	56,868	690,000	(604,698)	85,302
Total	690,000	(633,132)	56,868	690,000	(604,698)	85,302

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 2019	At start of year	Amortisation	At end of year
Carrying value	Ushs'000	Ushs'000	Ushs'000
Computer software	-	-	-
Value of In-Force Business	85,302	(28,434)	56,868
	85,302	(28,434)	56,868

Year ended 31 December 2018	At start of year	Amortisation	At end of year
Carrying value	Ushs'000	Ushs'000	Ushs'000
Computer software	-	-	-
Value of In-Force Business	191,781	(106,479)	85,302
	191,781	(106,479)	85,302

20. Property and equipment

	Computer equipment	Furniture fixtures and fittings	Office equipment	Motor vehicles	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
At 1 January 2018	271,458	262,315	120,107	307,970	961,850
Additions	47,442	92,103	61,394	-	200,939
Disposals	-	(5,916)	-	-	(5,916)
As at 31 December 2018	318,900	348,502	181,501	307,970	1,156,873
At 1 January 2019	318,900	348,502	181,501	307,970	1,156,873
Additions	80,151	41,781	-	-	121,932
At 31 December 2019	399,051	390,283	181,501	307,970	1,278,805
Depreciation					
At 1 January 2018	138,852	115,053	48,216	97,524	399,645
Charge for the year	47,435	33,782	15,425	61,594	158,236
Depreciation eliminated on disposal	-	(3,129)	-	-	(3,129)
At 31 December 2018	186,287	145,706	63,641	159,118	554,752
At 1 January 2019	186,287	145,706	63,641	159,118	554,752
Charge for the year	50,630	43,854	19,967	61,594	176,045
At 31 December 2019	236,917	189,650	83,608	220,712	730,797
Net book value					
At 31 December 2018	132,613	202,796	117,860	148,852	602,121
At 31 December 2019	162,134	200,723	97,893	87,258	548,008

21. Leases

Right of Use asset

Right-of-use assets relates to leased office premises that are presented as Right of Use asset in the statement of financial position

Office premises	
	Ushs' 000
At 1 January 2019	
IFRS 16 Transition 1 January 2019	1,353,982
At 31 December 2019	1,353,982
Depreciation	
At 1 January 2019	-
Charge for the year	(299,799)
At 31 December 2019	(299,799)
Net book value	
At 31 December 2019	1,054,183

b) Lease Liabilities

Lease Liabilities	
	Ushs' 000
At 1 January 2019	
IFRS 16 Transition 1 January 2019	1,353,982
Interest expense	101,565
Payments in the year	(333,719)
At 31 December 2019	1,121,828

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 9%.

The fair value of lease liabilities approximates its carrying amount.

At 31 December 2018, the future minimum lease payments under non-cancellable operating leases were payable as follows.

c) Maturity analysis - Contractual undiscounted cash flows

2018	
	Ushs'000
Less than one year	383,304
Between one and five years	1,298,180
	1,681,484

d) Amounts recognized in profit or loss

2019	
	Ushs'000
2019 - Leases under IFRS 16	
Interest on lease liabilities	101,565
Depreciation on Right of Use asset	299,799
Expenses relating to short-term leases	49,135

e) 2018 - Operating leases under IAS 17

	2018
	Ushs'000
Lease expense	209,149

f) Amounts recognized in the statement of cash flows

	2019
	Ushs'000
Payment of lease liabilities	232,154
Interest expense on Lease payment	101,565
Total cash outflow for leases	333,719

22. Policyholders' liabilities under insurance contracts

	Insurance contracts	Investments contracts with-out DPF	Reinsurance share of insurance contract liabilities (Note 23)	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
At 31 December 2019				
At start of year	7,976,537	171,567	(2,685,100)	5,463,004
Movement in actuarial reserves (charged to P&L)	(954,554)	4,737	91,512	(858,305)
At end of year	7,021,983	176,304	(2,593,588)	4,604,699
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)	3,339,146	(1,607,761)
At end of year	7,976,537	171,567	(2,685,100)	5,463,004



a) Insurance contract liabilities

	Insurance contracts	Investment contracts with DPF	Reinsurance share of insurance contract liabilities assets
Year Ended 31 December 2019	Ushs'000	Ushs '000	Ushs '000
At start of year	7,976,537	-	(2,685,100)
Inflows	43,204,472	-	(13,248,874)
Insurance premiums	41,629,983	-	(12,969,971)
Investment returns - other	1,574,489	-	(278,903)
Unwinding of discount rate	1,008,659	-	(340,477)
Investments	565,830	-	61,574
Outflows	(42,114,080)	-	14,021,873
Claims and policyholders' benefits under insurance contracts	(15,720,879)	-	10,085,955
Acquisition costs associated with insurance contracts	(4,791,395)	-	934,828
Taxation	(774,051)	-	(278,507)
General marketing and administration expenses	(17,003,310)	-	3,279,597
Profit share allocations	(3,824,445)	-	-
Switches between investment with DPF and investment without DPF	-	-	-
Net (income) from insurance operations	(2,044,946)	-	(681,487)
At end of year	7,021,983	-	(2,593,588)



22. Policyholders' liabilities under insurance contracts (continued)

Year Ended 31 December 2018	Insurance contracts	Investment contracts with DPF	Reinsurance share of insurance contract liabilities assets
	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	-	(710,259)
Investments	(2,184,259)	-	916,825
Outflows	(37,228,639)	(50,227)	13,438,443
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)

The carrying value of insurance contract liabilities is approximately equal to the fair value.

b) Policyholders' liabilities under investment contracts without DPF

	2019 Ushs'000	2018 Ushs'000
At start of year	171,567	-
Fund inflows from investment contracts (excluding switches)	18,632	-
Net fair value adjustment	-	16,505
Funds outflows from excluding switches	(10,414)	(50,227)
Switches between investments with DPF and investments without DPF	-	208,512
Service fee income	(3,481)	(3,223)
At the end of the year	176,304	171,567

The carrying value of Policyholders' liabilities under investment contracts without DPF is approximately equal to the fair value.

C) Valuation assumptions

1. Non-Economic Assumptions

A detailed review was carried out of the mortality and morbidity claim ratios across all LLAU products in 2019.

1.1 Mortality and Morbidity

The claims ratio assumptions used in the valuation and EV calculations have been based on experience of similar products in other countries and adjusted for local experience where necessary.

22. Policyholders' liabilities under insurance contracts (continued)

The claims ratio assumptions for the new retail risk products were based on the pricing basis.

Product	Assumption	Experience	Assumption
	31 December 2018	31 December 2019	
Centenary Bank	40%	24%	30%
Stanbic PLP	25%	18%	25%
Stanbic Mortgage	25%	9%	25%
Stanbic ASB	80%	4%	80%
Stanbic Credit Card	20%	2%	20%
BOU Group Risk	30%	26%	30%
MTN Group Risk	30%	26%	30%
Stanbic Group Risk	30%	26%	30%
Other Group Life	30%	26%	30%
Other Group Funeral	30%	26%	30%
Other Group Credit Life	30%	26%	30%
Group Risk Medical	70%	65%	70%
My Life Personal Accident	80%	0%	80%
Retail Funeral Plan	65%	0%	65%
Personal Accident Plan	35%	0%	80%
Critical Illness Plan	35%	0%	35%
Simple Life Plan	35%	0%	35%
Business Owner's Life Insurance (BOLI)	65%	0%	65%
SME Life Insurance (Stanbic bank)	65%	0%	65%

1.2 Persistency

The current persistency rates were derived from similar products in South Africa (Pricing Basis) and remain unchanged from those used in 2017 except for Stanbic PLP where the lapse assumption was decreased from 47% to 42% to reflect the current experience observed on the book. The persistency assumptions for the new retail risk products were based on the Pricing basis.

31 December 2019				
	First year	Second year	Third year	Subsequent years
Centenary Bank	0.00%	0.00%	0.00%	0.00%
Stanbic PLP	42.00%	42.00%	42.00%	42.00%
Stanbic Mortgage	5.00%	5.00%	5.00%	5.00%
Stanbic ASB	5.00%	5.00%	5.00%	5.00%
Stanbic Credit Card	2.75%	2.75%	2.75%	2.75%
BOU Group Risk	13.48%	13.48%	13.48%	13.48%
MTN Group Risk	13.48%	13.48%	13.48%	13.48%
Stanbic Group Risk	13.48%	13.48%	13.48%	13.48%
Other Group Life	13.48%	13.48%	13.48%	13.48%
Other Group Funeral	13.48%	13.48%	13.48%	13.48%
Other Group Credit Life	5.00%	5.00%	5.00%	5.00%
Group Risk Medical	13.48%	13.48%	13.48%	13.48%
Retail Funeral Plan	20.00%	20.00%	20.00%	20.00%
Personal Accident Plan	20.00%	20.00%	20.00%	20.00%
Critical Illness Plan	30.00%	20.00%	10.00%	10.00%
Simple Life Plan	30.00%	20.00%	10.00%	10.00%
Business Owner's Life Insurance (BOLI)	30.00%	20.00%	10.00%	10.00%
SME Life Insurance (Stanbic bank)	30.00%	20.00%	10.00%	10.00%
Education Saver	30.00%	25.00%	12.50%	7.50%

22. Policyholders' liabilities under insurance contracts (continued)

1.3 IBNR Factors

Based on an investigation of run-off patterns conducted during the year, the IBNR factors were revised as follows. The IBNR factor assumptions for the new retail risk products were based on the Pricing basis:

IBNR factors	31 December 2019	31 December 2018
	Months	Months
Centenary Bank	3.00	4.50
Stanbic PLP	3.50	4.80
Stanbic Mortgage	3.50	4.80
Stanbic ASB	3.50	4.80
Stanbic Credit Card	3.50	4.80
Other Credit Life	2.60	3.20
BOU Group Risk	1.50	1.70
MTN Group Risk	1.50	1.70
Stanbic Group Risk	1.50	1.70
Other Group Life	1.50	1.70
Other Group Funeral	1.50	1.70
Other Group Credit Life	1.50	1.70
Group Risk Medical	2.00	2.00
Retail Funeral Plan	0.30	0.30
Personal Accident Plan	0.30	0.30
Critical Illness Plan	2.00	2.00
Simple Life Plan	2.00	2.00
Business Owner's Life Insurance (BOLI)	2.00	2.00
SME Life Insurance (Stanbic bank)	2.00	2.00
Brac Uganda Credit Life	2.10	2.50
Pride Microfinance Credit Life	2.80	3.00
Housing Finance Credit Life	2.70	2.50

1.4 Group Risk

Persistency rates have been made to equal those of Liberty Life SA (Pricing basis) due to lack of credible own experience data. Claims ratios and IBNR factors are based on own Uganda experience and Pricing basis suitably adjusted for Management's expectation of the Uganda market.

2. Economic Assumptions

The main economic assumptions used in the Embedded Value calculations were as shown below:

	31 December 2019	31 December 2018
Economic Basis	per annum	per annum
Risk Free Rate of Return	9.17%	9.42%
Risk Discount Rate	11.97%	12.22%
Expense Inflation Rate	7.42%	7.67%

The economic assumptions have been made equal to those of Liberty Life SA due to lack of sufficient data to set Uganda specific economic assumptions.

The Risk Discount Rate is calculated as:

Risk Free Rate of Return + (Beta x Equity Risk premium)

where Beta = 0.8 and Equity Risk premium = 3.5%

3. Basis for the Valuation of Liabilities

The nature of the products sold dictates a simplistic valuation method. The value of the liabilities was calculated on a retrospective basis as the sum of the Unearned Premium Reserves (UPR) and the Incurred But Not Reported (IBNR) claims. No Additional Unexpired Risk Reserves (AURR) were deemed necessary.

22. Policyholders' liabilities under insurance contracts (continued)

Group Risk Business - This includes Group Life, Group Funeral and Group Critical Illness business.

For the bancassurance products LLAU holds an unearned premium reserve (UPR) being the outstanding premium in respect of single and annual premium products. This is determined as the proportionate outstanding premium after allowance for commission and initial expenses. In addition, we made a provision for future renewal expenses and a contingency margin. Initial and renewal expenses are assumed to be split equally. This may be represented mathematically as follows:

ically as follows:

$$UPR = \text{Premium} * (1 - c - r + m) * (n - t) / n$$

Where

n = original term;

t = duration in force;

c = commission rate;

r = initial expense allowance of 6.90%; and,

m = contingency margin allowance of 7.5%

The Company also holds a reserve for claims Incurred but Not Reported (IBNR). The formula for the IBNR reserve is given below for products where there is a reliable claims history:

$$IBNR = \text{Average_monthly_claims} * IBNR \text{ Factor} * (1 + m) * f$$

Where:

m = compulsory margin of 7.5%.

f = expense handling factor of 1.02

The average monthly claims is calculated in reference to the previous 3 years and the period considered is long due to scanty data.

The formula for the IBNR reserve is given below for new products and products where there is no reliable claims history:

$$\text{IBNR} = \text{Monthly Premium} \times \text{IBNR Factor} \times \text{Claims Ratio} \times (1-c-r) \times (1+m) \times f$$

Where:

c = commission rate;

r = expense allowance of 15%; and,

m = compulsory margin of 7.5%.

f = expense handling factor of 1.02

Pure Investment Business

The Pure Investment business with no guarantees liabilities are calculated as the amount of the funds at the valuation date, being the accumulated contributions net of withdrawals plus the actual investment income earned on the funds.

Profit Share

In the policyholder reserves, allowance has been made in respect of the profit share agreements relating to the following group life schemes:

- MTN Uganda; and,
- Housing Finance.

The profit share on each agreement has been calculated in line with Management's interpretation of the agreements.

The published assets are taken at market value except for corporate bonds which are valued at a held to maturity basis.

It is vital that the documentation for these profit share agreements is kept and the calculations are consistent with the agreements

22. Policyholders' liabilities under insurance contracts (continued)

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. The data reserve of US\$0.2 billion set at the end of 2007 was reduced at the 31 December 2009 valuation to US\$0.1 billion. It was decided to strengthen this data reserve to US\$0.3 billion for the 2012 financial year and to leave this unchanged for the 2013 to 2018 valuations until outstanding data issues are resolved. We recommend that the data contingency reserve is reviewed at the next valuation should the data quality and experience in respect of the business improve or further deteriorate. This review should be based on the Board approved LLAU Data Reserving Policy.

23. Insurance and other payables

	2019 Ushs'000	2018 Ushs'000
Outstanding claims	237,947	246,728
Reinsurance payables	968,612	2,169,221
Commission expense payable	319,989	290,531
Accruals, provisions and other liabilities	548,089	2,904,375
	2,074,637	5,610,855

Insurance contract liabilities

	2019 Ushs'000	2018 Ushs'000
Payable under deposits administration contracts	176,304	171,567
Life - fund contract liabilities (note 22)	7,021,983	7,976,537
Reinsurer's share of insurance contract liabilities (note 22)	(2,593,588)	(2,685,100)
	4,604,699	5,463,004

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.

	2019 Ushs'000	2018 Ushs'000
At 1 January	171,567	208,512
Claims and surrenders	(10,414)	(50,227)
Net movement in actuarial reserves	15,151	13,282
	176,304	171,567

24. Employee benefits

Incentive scheme	2019 Ushs'000	2018 Ushs'000
Short-term employee benefits		
At start of year	70,493	340,000
Additional provision raised	394,233	44,049
Utilised during the year	(72,312)	(313,556)
At end of year	392,414	70,493

All outflows in economic benefits in respect of short-term employee benefits are expected to occur within one year.

24. Employee benefits (continued)

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.

The carrying value of employee benefits is approximately equal to the fair value.

25. Share capital

	2019 Ushs'000	2018 Ushs'000
Share capital		
Authorised		
30,000 ordinary shares of Ushs 100,000 each	3,000,000	3,000,000
Reconciliation of number of shares issued:		
Reported as at January 01, 2019	3,000,000	3,000,000

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

26. Reserves

	2019 Ushs'000	2018 Ushs'000
Contingency reserve		
At 1 January	4,172,134	3,816,037
Additional transfer	416,300	356,097
At 31 December	4,588,434	4,172,134

The contingency reserve is set up under Section 47(2) (c) of the Insurance Act, 2011. Although this Act was repealed and replaced with the Ugandan Insurance Act 2017, the regulations of the new Act are yet to be finalized by the Regulator, IRA. As such, the existing regulations have been referred to regarding compliance with the Insurance Act except where, the Regulator has given guidance regarding the enactment of the 2017 Act provisions. 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.

	2019 Ushs'000	2018 Ushs'000
Capital reserve		
At 1 January	1,188,596	1,186,195
Additional transfer	131,899	2,401
At 31 December	1,320,495	1,188,596

Capital base reserve is set up as a requirement under the Insurance Act, 2011, by which every insurer should transfer from its profits each year, before any dividend is declared and after tax provision, 5% of profits to the capital base growth fund which subsequently will be transferred to the paid up capital to facilitate capital growth. Although the 2011 Act was repealed and replaced with the Ugandan Insurance Act 2017, the regulations of the new Act are yet to be finalized by the Regulator, IRA. As such, the existing regulations have been referred to regarding compliance with the Insurance Act except where, the Regulator has given guidance regarding the enactment of the 2017 Act provisions. An annual transfer to capital reserves of Ushs 131 million (2018: Ushs 2.4 million) representing 5% of the profit for the year has been reserved.

27. Retained earnings

Retained earnings comprises prior year brought forward earning plus current year profit less any dividends paid and proposed and transfers to statutory reserves. As at 31 December 2019, retained earnings amounted to Ushs 5.1 billion (2018: Ushs 3.0 billion). The movement is shown in the statement of changes in equity

28. Deferred income tax

	At start of the year	SCI Charge	At end of the year
Year ended 31 December 2019	Ushs'000	Ushs'000	Ushs'000
Deferred income tax liabilities			
Accelerated depreciation	41,298	(19,792)	21,506
Total deferred income tax liabilities	41,298	(19,792)	21,506
Deferred income tax assets			
Short term timing differences			
Movement in reserves and provisions	(1,768,313)	333,547	(1,434,766)
Trading losses	(488,994)	488,994	-
Total deferred income tax assets	(2,257,307)	822,541	(1,434,766)
Net deferred income tax (asset)/ Liability	(2,216,009)	802,749	(1,413,260)

Year ended 31 December 2018

	At start of the year	SCI Charge	At end of the year
	Ushs'000	Ushs'000	Ushs'000
Deferred income tax liabilities			
Accelerated depreciation	36,962	4,336	41,298
Total deferred income tax liabilities	36,962	4,336	41,298
Deferred income tax assets			
Short term timing differences			
Movement in provisions and reserves	(2,080,016)	311,703	(1,768,313)
Trading losses	-	(488,994)	(488,995)
Total deferred income tax assets	(2,080,016)	(177,291)	(2,257,307)
Net deferred income tax (asset)/ Liability	(2,043,054)	(172,955)	(2,216,009)

29. 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 49% of the Company's shares is owned by Madhvani Group Limited.

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:**Related party transactions with subsidiaries of the Ultimate Holding Company**

The Company provides/ incurs the following transactions with Stanbic Bank Uganda Limited (SBUL), a subsidiary of Standard Bank South Africa.

- Provision of group credit, group risk and medical insurance services. This involves receipt of premiums for the services provided, payment of commissions to Stanbic Bank Uganda Limited and payment of claims.
- Joint venture profit commission sharing agreement where the Company and Stanbic Bank Uganda Limited share in the profits earned on the embedded insurance business between the two companies.
- Use of banking facilities provided by Stanbic Bank Uganda Limited.
- Use of IT and HR support services from Stanbic Bank Uganda Limited
- Payment of board fees/ directors' fees

Amounts incurred during the year are set out below;

Item	2019 Ushs'000	2018 Ushs'000
Insurance premium revenue	11,606,928	9,929,193
Net commission expense	2,165,039	1,838,974
Net claims paid	1,651,262	1,046,535
Joint venture profit commission	3,824,445	3,514,320
Cash held at Stanbic Bank Uganda Limited	3,156,819	2,513,130
Director's fees	16,000	19,500
Bank Charges	49,135	17,328
IT and HR support services	22,391	29,990
Total	22,492,019	18,908,970

Related party transactions with shareholding companies

The Company provides/ incurs the following transactions with its shareholders; Liberty Holdings Limited (51% shareholder) and Madhvani Group Uganda Limited (49%).

- Provision of group risk insurance services to Madhvani Group Limited
- Administration and management support from Liberty Holdings Limited in South Africa and Madhvani Group Limited for which charges/ fees are levied.
- Rent for office premises from Madhvani Group Limited
- Board/ directors' fees to both Companies
- Dividends paid to both companies

Details of transactions incurred during the year are set out below;

Madhvani Group Limited

Item	2019 Ushs'000	2018 Ushs'000
Insurance premium revenue	29,578	-
Management fees for administration services	428,857	398,660
Rent for office premises	275,170	24,950
Directors' fees	93,500	100,500
Dividends	-	1,307,409
Total	827,105	1,831,519

Liberty Holdings Limited

Management fees for administration services	1,783,079	2,098,326
Directors' fees	40,500	19,500
Dividends	-	3,718,803
Total	1,823,579	5,836,629

29. Related party disclosures (continued)

Related party transactions with subsidiaries of the shareholding Companies

The Company provides/ incurs the following transactions with various subsidiaries of the share holding companies as below;

- Provision of group risk and medical insurance services to Liberty General Insurance Company Uganda Limited.
- Use of facultative reinsurance services from Liberty General Insurance Company Uganda Limited. This involves payment of ceded premiums, receipt of commissions and recovery of claims incurred.
- Administration support on the health business from Liberty Health South Africa (Pty) Limited.
- Use of group internal audit services from Liberty Life Assurance Kenya Limited.
- Payment of board/ directors' fees to Liberty Holdings Kenya Limited.

Details of transactions incurred during the year are set out as below;

Liberty General Insurance Uganda Limited

	2019 Ushs'000	2018 Ushs'000
Insurance premium revenue	131,662	72,227
Reinsurance premiums ceded	916,988	708,107
Commission income	232,384	174,252
Reinsurance claims recovered	192,611	212,819
Reinsurance profit commission	362,188	160,518
Total	1,835,833	1,327,923

Liberty Health South Africa (PTY) Limited

	2019 Ushs'000	2018 Ushs'000
Administration fees as per the health reinsurance treaty	2,709,426	1,615,443

Liberty Life Assurance Kenya Limited

	2019 Ushs'000	2018 Ushs'000
Internal audit fees	77,974	63,649

Liberty Holdings Kenya Limited

	2019 Ushs'000	2018 Ushs'000
Board/ Directors' fees	30,000	30,000

The outstanding balances payable as at year end were as shown below;

Due to related parties:

	2019 Ushs'000	2018 Ushs'000
Liberty Holdings limited (South Africa)	1,485,026	2,899,000
Liberty Life Assurance Kenya Ltd	77,974	63,649
Stanbic Bank Uganda Limited	3,824,445	3,179,032
Madhvani Group Limited	215,552	-
	5,602,997	6,141,681

29. Related party disclosures (continued)

Directors' emoluments

	2019 Ushs'000	2018 Ushs'000
Executive		
Directors' fees	222,000	247,506
Key management compensation		
Salaries and wages	755,756	1,035,609
Gratuity	-	133,152
Other staff costs	128,127	134,424
National Social Security Fund Contributions	75,576	94,904
	959,459	1,398,089

Cash generated from operations

	2019 Ushs'000	2018 Ushs'000
Profit before income tax	3,663,508	87,720
Adjustments for:		
Depreciation on PPE (Note 20)	176,045	158,236
Amortisation of intangible assets (Note 19)	28,434	106,479
Profit on disposal	-	(3,128)
Depreciation of ROU (Note 21)	299,799	-
Interest expense on the lease liability (Note 9)	101,565	-
IFRS 9 provision for impairment*	33,040	-
Operating profit before working capital changes	4,302,391	349,307

Working capital changes:		
Prepayments, insurance and other receivables	899,714	1,342,328
Policyholders' liabilities	(949,818)	(1,607,761)
Employee benefits	321,921	-
Amount due to related parties	(538,684)	-
Insurance and other payables	(3,536,219)	5,390,227
Cash flows generated from operations	499,305	5,474,101

*IFRS 9 provision for impairment relates to expected credit loss provisions on investments recorded under cash flows from investing activities

31. 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 advice, 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.



32. 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.

b) Financial instruments measured at fair value - Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

The following are the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

The Company holds 50 shares in Uganda Re valued at a share price of Ushs 2,084,000 each. The share price above was determined based on net assets and total number of shares in Uganda Re as at 31 December 2018.

2019	Hierarchy			Total
	Level 1	Level 2	Level 3	
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Financial assets at fair Value				
Equity investment in Uganda Re	-	-	104,200	104,200

2018	Hierarchy			Total
	Level 1	Level 2	Level 3	
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Financial assets at fair value				
Equity investment in Uganda Re	-	-	95,000	95,000

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total	Total Carrying
				Fair value	Amount
At 31 December 2019	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Assets					
Cash and short-term deposits	-	-	5,339,534	5,339,534	5,339,534
Statutory Security Deposit	-	533,464	-	533,464	532,195
Government securities at amortised cost	-	11,971,990	-	11,971,990	11,889,648
Fixed deposits at amortised cost	-	-	1,748,856	1,748,856	1,748,856
Unit trust investment	-	302,968	-	302,968	300,296
Insurance and other receivables (excluding prepayments)	-	-	6,231,720	6,231,720	6,231,720
Liabilities					
Policyholder Liabilities	-	-	7,198,287	7,198,287	7,198,287
Employee benefits	-	-	392,414	392,414	392,414
Amounts due to group companies	-	-	5,387,445	5,387,445	5,387,445
Lease liabilities	-	-	1,121,828	1,121,828	1,121,828
Insurance and other payables	-	-	2,290,188	2,290,188	2,290,188

At 31 December 2018
Assets

Cash and short-term deposits	-	-	4,373,422	4,373,422	4,373,422
Statutory Security Deposit	-	519,252	-	519,252	486,809
Government securities at amortised cost	-	7,141,074	-	7,141,074	7,121,503
Fixed deposits at amortised cost	-	-	8,025,038	8,025,038	8,025,038
Unit trust investments	-	168,539	-	168,539	164,097
Insurance and other receivables (excluding prepayments)	-	-	7,113,731	7,113,731	7,113,731

Liabilities

Policyholder Liabilities	-	-	8,148,104	8,148,104	8,148,104
Employee benefits	-	-	70,493	70,493	70,493
Amounts due to group companies	-	-	6,141,681	6,141,681	6,141,681
Insurance and other payables	-	-	5,610,855	5,610,855	5,610,855

33. Contingent asset

IAS 37 Provisions, Contingent Liabilities and Contingent Assets outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).

As at 31 December 2019, the Company had a contingent asset of Ushs 693.8 million arising from tax over paid in 2018 relating to the years ended 2017 and 2016. This was due to a restatement of the 2017 and 2016 financial statements which occurred during the year ended 2018.

Below is a summary of the tax restated numbers for the years ended 2017 and 2016 which gives rise to a contingent asset;

Year ended	Tax paid (Ush'000)	Restated tax payable (Ush'000)	Tax recoverable (Ush'000)
2017	774,904	334,848	440,056
2016	113,124	(140,678)	253,802
Total	888,028	194,170	693,858

34. Subsequent events

The COVID-19 coronavirus poses a significant threat to global health and the World Health Organisation (WHO) has officially characterised the situation as a pandemic. Although the WHO is currently of the view that all countries can still change the course of this pandemic, there is concern that countries may not implement the measures required to suppress and control its spread. The spread of COVID-19 is having significant impacts on global investment markets and it further poses material business continuity and insurance risks to Liberty. Contingency plans and mitigating actions are being introduced. With the rapidly evolving situation, developments are being closely monitored so that appropriate actions are taken.

The potential impact of this cannot be reliably estimated and as such financial statements are not adjusted to reflect this impact.



Supplementary information (Unaudited)

Liberty Life Assurance Uganda Limited

Revenue Account for the year ended 31 December 2019

	Individual Life	Group Life	Group credit	Health	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Gross Premium	380,312	4,231,402	16,176,532	20,841,737	41,629,983
Premiums ceded	-	(881,885)	(1,586,308)	(10,501,778)	(12,969,971)
Net Premium	380,312	3,349,517	14,590,224	10,339,959	28,660,012
Investment Income	24,459	272,129	1,040,342	-	1,336,930
Other income	(5,131)	(57,088)	(218,244)	-	(280,463)
Commission received on reinsurance	-	285,841	1,092,761	-	1,378,602
Total Contributions	399,640	3,850,399	16,505,083	10,339,959	31,095,081
Claims incurred	(153,217)	(510,905)	(3,515,265)	(11,551,907)	(15,731,294)
Claims Recoverable	-	60,000	206,835	9,819,121	10,085,956
Net claims paid	(153,217)	(450,905)	(3,308,430)	(1,732,786)	(5,645,338)
Commission paid	(38,031)	(939,097)	(3,136,806)	(1,121,234)	(5,235,168)
Management expenses	(202,741)	(2,255,729)	(8,623,588)	(6,327,314)	(17,409,372)
Net claims & Expenses	(393,989)	(3,645,731)	(15,068,824)	(9,181,334)	(28,289,878)
Change in actuarial reserves	20,532	232,721	883,188	(278,136)	858,305
Profit before tax	26,183	437,389	2,319,447	880,489	3,663,508
Income tax expense	(7,855)	(131,217)	(622,304)	(264,147)	(1,025,523)
Profit after tax	18,328	306,172	1,697,143	616,342	2,637,985
Transfer to Contingency Reserve	3,803	42,314	161,765	208,417	416,299

Supplementary information (Unaudited)

Liberty Life Assurance Uganda Limited Revenue Account for the year ended 31 December 2018

	Individual Life	Group Life	Group credit	Health	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Gross Premium	345,891	4,315,374	14,793,964	16,154,427	35,609,656
Premiums ceded	-	(815,639)	(1,396,144)	(12,161,685)	(14,373,468)
Net Premium	345,981	3,499,735	13,397,820	3,992,742	21,236,188
Investment Income	26,407	329,452	1,129,425	-	1,485,284
Other income	1,237	15,430	52,899	-	69,566
Commission received on reinsurance	-	198,778	681,452	-	880,230
Total Contributions	373,535	4,043,395	15,261,596	3,992,742	23,671,268
Claims incurred	(50,227)	(1,063,551)	(4,052,780)	(9,001,184)	(14,167,742)
Claims Recoverable	-	125,451	338,106	8,551,125	9,014,682
Net claims paid	(50,227)	(938,100)	(3,714,674)	(450,059)	(5,153,060)
Commission paid	(34,589)	(949,382)	(3,485,194)	(606,401)	(5,075,566)
Management expenses	(228,850)	(2,885,159)	(9,788,054)	(2,090,620)	(14,962,683)
Net claims & Expenses	(313,666)	(4,742,641)	(16,987,922)	(3,147,080)	(25,191,309)
Change in actuarial reserves	19,876	252,732	1,054,390	280,763	1,607,761
Profit before tax	79,745	(446,514)	(671,936)	1,126,425	87,720
Income tax expense	(23,924)	-	322,161	(337,928)	(39,691)
Profit after tax	55,821	(446,514)	(349,775)	788,497	48,029
Transfer to Contingency Reserve	3,459	43,154	147,940	161,544	356,097

Liberty In Pictures

Financial Literacy Launch



Agents Christmas Party



Liberty In Pictures

Liberty Team building Event



Liberty Team building Event



Liberty In Pictures

Christmas Party



MDs reflecting on 2019

Gift exchange at the Christmas party

Christmas Party



Lydia Jasmine performing for staff at the Christmas party



Merry Christmas



Staff enjoying Lydia Jasmine's performance



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