



LIBERTY

Integrated Annual Report 2020



ADVICE INSURE INVEST HEALTH

Liberty is in it with you



LIBERTY LIFE ASSURANCE UGANDA LIMITED

This is a Liberty Life Assurance Uganda Limited Integrated report incorporating financial and non-financial information for the year ended 31 December 2020.

The theme for this year's annual report is
"Building stakeholder confidence in extraordinary difficult times"

ADVICE INSURE INVEST HEALTH



**Life can be tough. It's even tougher when you're by yourself.
That's why we all need someone who's truly on our side. As the
champion in your corner. Liberty, in it with you.**

We have your back,
every step of the way.



IN IT

We have 13 years' **handson**
experience of this beautiful
thing called life.



WITH

We are committed to
being there **with you and**
for you, in the good and
not so good times.



YOU

We have **your interests** at heart,
the right advice and financial
services for you

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

#initwithyou

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LIBERTY

Create an inspiring environment
Make a to do list
Break your work into little steps
Schedule your tasks
Visualise yourself finishing your work
Just do it!

Increase your productivity and get more done while at home

About Liberty

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LIBERTY

The beauty of life is our ability to create special connections with the people we love.

#HappyValentines

02

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LIBERTY

The future is mostly uncertain, and it is always good to plan ahead for any eventualities.

Liberty General Insurance, in partnership with Stanbic Bank, offers insurance covers that include:

- Domestic package: This protects your home and contents from any theft.
- Burglary, Fire and Allied perils: This protects your business against theft, looting, fire or any unforeseen damages.

#MyLibertyLife

Liberty's sustainability strategy

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LIBERTY

Your business deserves to thrive. Talk to us about our **business owners life insurance** cover today!

>#here4u
info@liberty.co.ug
Liberty is regulated by the Insurance Regulatory Authority in Uganda

04

Financial Statements for the year ended 31 December 2020

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Peace of mind is very valuable, we want the best for you and your loved ones. Get a quote today

#TheAdvantageOfKnowing
+256 (0) 312 233 794 | info@liberty.co.ug
Liberty Life Insurance Uganda LTD is regulated by the Insurance Regulatory Authority of Uganda. License number: 1020/2020

Supplementary Information

Revenue account	166
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LIBERTY
In it with you

Personal Accident

Cover	Premiums
10m up to 100m	UGX 7000 up to UGX 47,000

-Get a lump sum of up to Ush100m in case you should pass on or to help in the event that you're physically impaired.
-Your covered anywhere in the world for up to 12 months
-No medical tests required
-Enjoy multiple claims

0312 246 500 / 0312 233 794 | info@liberty.co.ug
Liberty is regulated by the Insurance Regulatory Authority of Uganda

About our 2020 integrated report

This integrated report is addressed to our shareholders, as the providers of financial capital, but contains information that other stakeholders may find valuable. 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.

Scope and boundary

Our integrated report is published annually. This integrated report covers the performance of Liberty Life Assurance Uganda Limited for the year ended 31 December 2020. Any material events up to the date of board approval date of 25th March 2021 are included. The report covers the Company's operations in Uganda as that is where it has a presence.

Materiality

We consider a matter to be material if it has or may have a material impact on our ability to create value in the short, medium and long term for our shareholders and our key stakeholders. The material matters are detailed on page 55 of this report and were informed by those matters discussed by the board and its committees during the year, matters arising from strategy setting process and the legitimate concerns of our key stakeholders. The material matters have been linked to our strategic value drivers which are the focus of our strategy and planning processes.

Frameworks and other reports

The report is prepared under the guidance of the IR Framework as adopted by the board. It conforms with the requirements of the Companies Act, 2012 Laws of Uganda and the Insurance Act, 2017 Laws of Uganda. This report provides an entry point to more detailed information contained in other reports which comprise our annual reporting suite.

Our management reporting process and our suite of reports are aligned with the reporting principles of King IV Report on Corporate Governance. Our integrated thinking is reflected in our targets and key performance indicators that cover financial and non-financial performance as well as strategy, risks and how we deliver value to stakeholders.

How we identify our material matters

Identify boundaries and material stakeholders

Conduct a sustainability risk assessment workshop to determine a long list of potential material issues

Engage with key management and key stakeholder groups

Rank material issues using a matrix for prioritisation of topics

Link material issues to material impact areas (SDGs), strategic value drivers and key performance indicators (KPIs)

Our sustainability strategies and reporting are informed by additional international principles, standards, and guidelines, including the UN Global Compact, UN SDGs and UN Principles for Responsible Investment (PRI).

We strive to benchmark our progress against other market participants through transparent and accurate disclosure of clearly defined environmental, social and governance (ESG) criteria, and disclose this information through our Integrated report and on our website.

Assurance

The board in conjunction with the audit and risk committee, is ultimately responsible for Liberty's internal control.

Liberty applies a combined assurance approach, ensuring that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and its external reports.

KPMG issued an unmodified audit opinion on the Company's financial statements. Our financial statements for the year ended 31 December 2020 have been included in this report.

Gerald Ssendaula
Chairman

Directors' approval

The Board acknowledges its responsibility to ensure that reports issued by Liberty enable stakeholders make informed assessments of its performance and its short, medium and long term prospects.

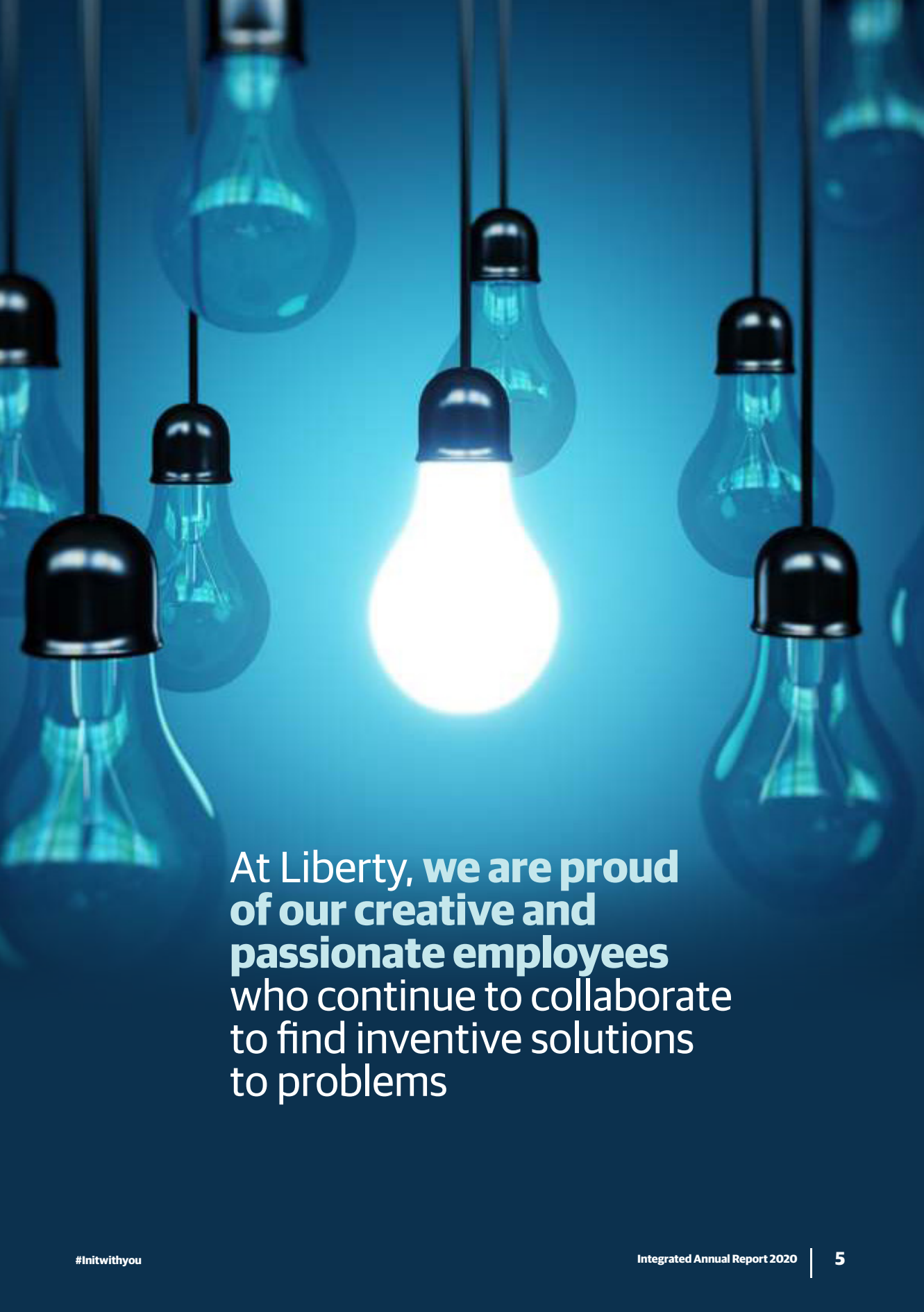
It also acknowledges its responsibility to ensure integrity of Liberty's external reports, including the 2020 integrated report. The board believes it has fulfilled these responsibilities.

The board further believes that the integrated report is presented in compliance with the IR Framework. The directors have applied their judgement to the disclosure of Liberty's strategic plans and ensured that these disclosures do not place Liberty at a competitive disadvantage.

The board unanimously approved this report and authorised its release on 25th March 2021.

Joseph Almeida
Managing Director





**At Liberty, we are proud
of our creative and
passionate employees**
who continue to collaborate
to find inventive solutions
to problems

General Information

Country of Incorporation and Domicile	Uganda
Nature of Business and Principal Activities	Long term insurance and medical
Directors as at 31 December 2020	<p>Gerald Ssendaula* (Chairman)</p> <p>Mayur M. Madhvani** (Director)</p> <p>Anthony Katamba* (Director)</p> <p>Kevin Wingfield*** (Director) - Resigned 1st July 2020</p> <p>Mike du Toit*** (Director)</p> <p>Muljibhai Madhvani & Company Limited* (Director)</p> <p>Liberty Holdings Limited*** (Director)</p> <p>East African Holdings Ltd**** (Director)</p> <p>Patricia Adongo Ojangole* (Director) - Appointed 12 November 2020</p> <p>*Ugandan **British ***South African **** Bermuda</p>
Registered office and Business Address	<p>2nd Floor, Madhvani Building</p> <p>Plot 99 - 101, Buganda Road,</p> <p>P.O Box 22938</p> <p>Kampala, Uganda</p>
Holding Company	<p>Liberty Holdings Limited</p> <p>Incorporated in South Africa</p>
Bankers	<p>Stanbic Bank Uganda Limited</p> <p>P.O. Box 7113</p> <p>Kampala, Uganda</p>
Auditor	<p>KPMG</p> <p>Certified Public Accountants</p> <p>3rd Floor, Rwenzori Courts</p> <p>Plot 2 & 4A Nakasero Road</p> <p>P.O. Box 35309</p> <p>Kampala, Uganda</p>
Secretary	<p>Koduvayur Parasuraman Eswar</p> <p>Corporate Office, Madhvani Group</p> <p>Plot 96/98, 5th Street Industrial Area</p> <p>Kampala, Uganda</p>

Acronyms

AGM -	Annual General Meeting	IIU -	Insurance Institute of Uganda
AI -	Artificial Intelligence	IR -	Integrated Reporting
ALM -	Asset Liability Matching	IRA -	Insurance Regulatory Authority of Uganda
AML -	Anti Money Laundering	IT -	Information Technology
BCP -	Business Continuity Plan	KPI -	Key performance Indicators
BDMs -	Business Development Managers	KYC -	Know Your Client
BoU -	Bank of Uganda	LHL -	Liberty Holdings Limited
BUs -	Business Units	LibFin -	Liberty Financial Solutions
CAE -	Client and Adviser Experience	LLAU -	Liberty Life Assurance Uganda Limited
CAR -	Capital Adequacy Requirement	MBA -	Master of Business Administration
CBR -	Central Bank Rate	MDI -	Micro Deposit Taking Institution
COVID-19 -	Corona Virus Disease of 2019	NSSF -	National Social Security Fund
CSI -	Corporate Social Investment	NWP -	Net Written Premium
CSR -	Corporate Social Responsibility	OCI -	Other Comprehensive Income
DSAs -	Direct Sales Agents	P&L -	Profit and Loss
ECM/DFS -	Emerging Consumer Market and Direct Financial Services	PAT -	Profit After Tax
EE -	Employee Experience	PEAs -	Proactive Engagement Areas
EESD -	Employment Equity and Skills Development	PRI -	Principles for Responsible Investment
ERM -	Enterprise Risk Management	SAM -	Solvency Assessment and Management framework
ESD -	Enterprise and Supplier Development	SDGs -	Sustainable Development Goals
ESG -	Environmental, Social and Governance	SEE -	Social, Environment and Economic Impact
EXCO -	Executive Committee	SMEs -	Small Medium Enterprises
GDP -	Gross Domestic Product	UIA -	Uganda Insurers Association
GIAS -	Group Internal Audit Services	UN -	United Nations
GRIs -	Global Reporting Initiatives	UPR -	Unearned Premium reserve
GWP -	Gross Written Premium	URA -	Uganda Revenue Authority
IBNR -	Incurred But Not Reported	VoNB -	Value of New Business
IFRS -	International Financial Reporting Standards		

Our operating universe in 2020

The COVID-19 pandemic and containment measures tested the operational resilience of Liberty's operating universe and our ability to provide exceptional customer service. We strived to play a meaningful role in society while operating a responsible and ethical business during the pandemic.



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 2023 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 2020 Insurance Regulatory Authority Quarter 4 Report, there was a 9.3% increase in the gross written premiums to Ushs 1,065 billion in 2020 from Ushs 974 billion in 2019. There was however a 3.9% decrease in the growth rate (9.3% between 2020 and 2019) as compared to (13.2% between 2018 and 2019) because of the slowed business activity with the outbreak of the COVID -19 pandemic. The life Insurance business contributed 30% of the 2020 gross premiums.

Given the above statistics, Insurers have to develop innovative products that meet the customers' needs in order to increase the market penetration.

The company launched a Liberty Mind My Money financial literacy program which 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.



LIBERTY



Develop a culture
of investing, we will help you
with the process.

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2020 Highlights

Capital Adequacy Ratio - 307%

Above minimum prescribed
Capital Adequacy Ratio of 200%
(2019: 249%)



Shs 3.2 billion

Paid out to policyholders in death
and disability claims
(2019: Shs 3.76 billion)

2.9 million lives

Covered under our various policies
(2019: 1.3 million lives)



Retained earnings - Shs 7.2 billion

(2019: Shs 5.1 billion)

Expense ratio - 29.6%

(2019: 35.2%)



Total assets - Shs 31.7 billion

(2019: Shs 30.4 billion)



Who we are

Liberty Life Assurance Uganda Limited (LLAU) was established in 2006 and offers an extensive range of products and services to help clients build and protect their wealth and lifestyle.

Liberty offers responsible and objective savings, investment and protection/risk advice and products to clients through a large and established adviser force.

Our vision is to become the trusted leader in insurance and investments in Uganda 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.

Liberty is one of the largest providers of long-term insurance solutions to Uganda's market with a strong trusted brand for over 13 years,

Liberty Holdings Limited

51%

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.

Madhvani Group Limited

49%

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.

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.

How we operate

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.



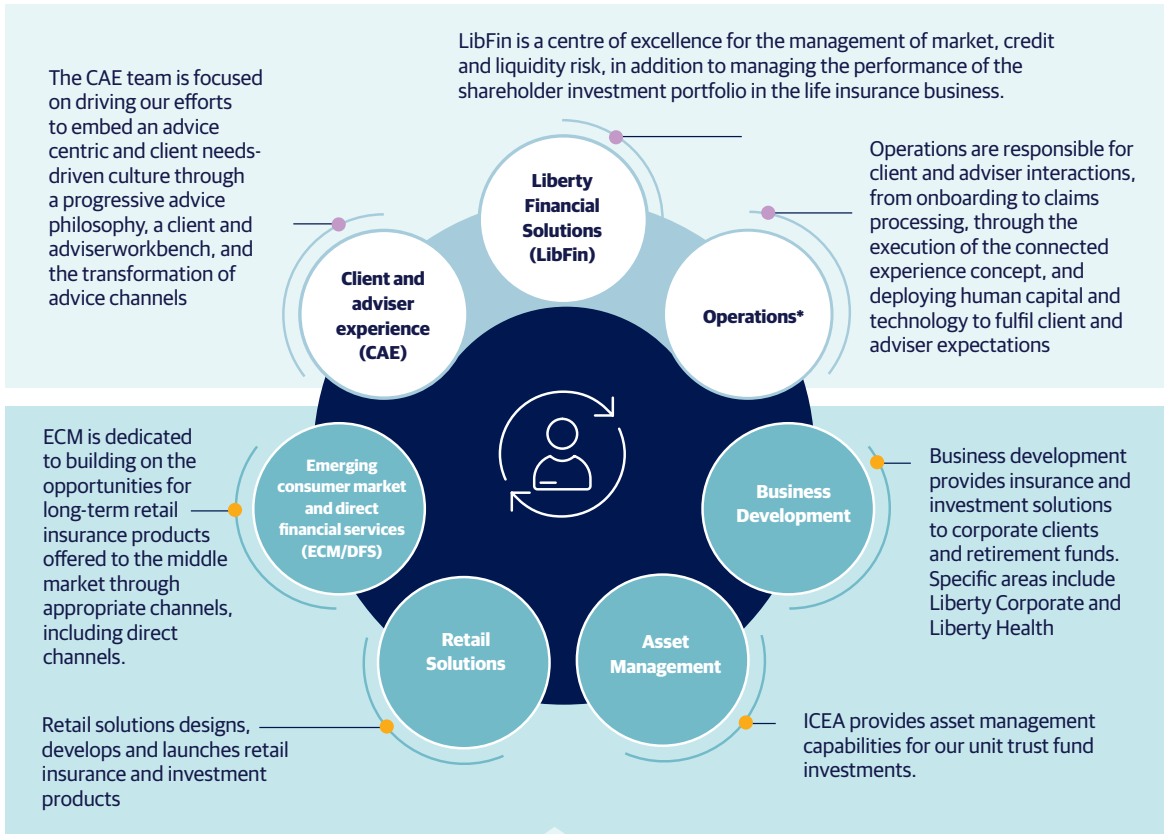
Our Purpose

Improving people's lives by making their financial freedom possible. This is our passion.



Our Vision

To be the trusted leader in insurance and investment in Africa and other chosen markets by delivering superior value through exceptional client and adviser experiences.



Supported by corporate functions

INTERNAL
AUDIT

RISK AND
ACTUARIAL

LEGAL AND
COMPLIANCE

INFORMATION
TECHNOLOGY

HUMAN
CAPITAL

MARKETING AND
COMMUNICATIONS

FINANCE

We have not let the crisis divert us from the execution of our strategy. 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.

Our strategy

The Liberty of the future lies in augmenting the power of human-to-human engagement between our advisers and clients with the power of a scalable, digital client engagement platform, where we will provide simple and intuitive tools and solutions grounded in the best advice. We will drive this by using the power of all our data, including that of our clients, for their benefit, through the adoption of cloud, artificial intelligence (AI), machine learning and other modern digital technologies in partnership with some of the world's biggest technology firms.

Our strategy is designed to significantly modernise and transform our existing business through the adoption of a "platform business model" which is anchored by a scalable, digital client engagement platform. This technology platform will initially be built to provide an experience and host engagement so as to deliver existing core Liberty offerings, but in time it will be broadened to facilitate client access to a wide range of ecosystems, some orchestrated by Liberty, some orchestrated by others.

Platform business models allow enterprises to set up powerful industry-focused, cloud-based ecosystems for value exchange and innovation among participants. A digital platform model represents a strategy whereby the company allows two or more disparate groups to interact over a platform to co-create value.

A human-augmented platform business

We will have a better understanding of our clients' needs through safe and proper use of our own and other data, AI and machine learning.

We will aim to provide comprehensive solutions for the transition points of our clients' lives by partnering with trusted organisations and partners in our ecosystem to fulfil the needs of our clients.

We will be able to offer clients far more than just the traditional products we offer today.

As part of our strategy, we have a formal process for identification of the various forms of capital required mainly financial, intellectual, human, natural, social and relation capital. These are monitored over the short, medium and long term to assess their impact on the companies ability to create value.

Our strategic value drivers



CLIENT AND ADVISER EXPERIENCE

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



EMPLOYEE ENGAGEMENT

Providing an environment for our people to thrive.



RISK AND CONDUCT

Enhancing our reputation and building trust



FINANCIAL OUTCOME

Delivering competitive sustainable returns



SEE IMPACT

Creating societal value and preserving our natural capital

Key concepts

At the heart of the Liberty strategy refresh articulated in 2017 were a number of key concepts:

Our world of advice and the role that we play in our clients' lives would need modernisation

Digital engagement with our clients would become pervasive

We would need a platform providing a modern digital experience to deliver this

We would need partners to help us



COVID-19 demanded rapid responses for business continuity. It also helped us identify and prioritise key initiatives over the short, medium and long term that we need to deliver in order to achieve our vision for the Liberty of the future.

While our progress was constrained by the COVID-19 pandemic, our strategy has not changed. In executing our strategy, we have replaced the sequence of change initiatives implied by the three-horizon model with a parallel model using the concepts of Renovate, Evolve and Transcend.





- Do **what we do** today but **better**
- Simplify our **product landscape** and **enterprise architecture**
- Accelerate our advisers' **digital enablement** capabilities
- Complete our **cloud roadmap implementation**
- Drive the delivery of our **digital capabilities** and scalability
- Create a **continuum of propositions** rather than discrete propositions
- Develop an **engagement platform** for clients and advisers built on Salesforce, driving digital delivery and scalability for the future
- Continue our efforts to **improve investment performance** achieved
- Deliver a **competitive umbrella proposition** within our Corporate business
- Dramatically **improve client experience** with the development of a client engagement platform built on Salesforce that is vibrant, compelling and differentiated. It focuses on life's major transition points through which we can be relevant immediately by providing investment and risk offerings
- We also see a **deeper connection to human wellness**, particularly emotional and mental wellness.
- **Connect Group's aspirations** of becoming a dominant insurer in Uganda, where the experience will be seamless and connected, and implemented in a sustainable manner

What we do in **renovating and simplifying** our business, **evolving** and making it **more competitive** leads to **transformation** now, not something that we think can happen in the future.



How we will achieve the future Liberty

We **execute our strategy** across all of Liberty's business units

Retail

Within the Uganda Retail business, we have collectively prioritised key programmes of work to accelerate our transformation. These are divided into two areas. Firstly, "Engagement and Experience" where the focus is on transforming our existing sales channels and delivering smart digital tools and enablement. The second focus area is "Client Solutions" where we will deliver on the end-to-end risk, end-to-end investment and simplification programmes.

Sales channel transformation

Our approach in the sales channel transformation programme centres around delivering on our client experience outcomes. We will reinvigorate our current channels in a dynamic and transformational way and scale the Salesforce-powered adviser workbench, laying the foundation for a digital engagement platform that will ultimately enable a true omnichannel client experience.

Our prioritised workstreams for tied advisers include:

- **Advice tools and enablement** - the adoption of the adviser workbench powered by Salesforce
- **Advice partnerships** - advice and servicing standards for existing advisers will become far more onerous as Liberty drives the ongoing engagement and connection with clients
- **Leads strategy** - the adoption of the adviser workbench through Salesforce will also pave the way for us to reimagine our leads process through AI and data-driven insights
- **Remuneration models and recognition** - to measure and reward advisers for the experience that Liberty intends delivering to our clients
- **Culture and transformation** - a strong focus on culture is required to ensure that the business is receptive to the significant amount of change being introduced

Our digital engagement platform vision

Our omnichannel strategy is dependent on the ability to gather and leverage data across all client touchpoints. Aspects to be considered when developing our digital engagement platform include:

- **Client centricity** - the client is at the heart of the platform
- **"Life journey" driven** - gathering data within the platform will be done in the context of understanding the various life journeys and life transition points that clients go through as they "live life"
- **Continuous connection facilitated by the pandemic** - Salesforce has been chosen as the technology partner to enable the digital engagement platform

Liberty Corporate

Liberty Corporate embarked on a strategy refresh journey which culminated in four strategic objectives:

- **Relevance** - sponsor an umbrella capability of scale in a market which is consolidating and commoditising
- **Optimise** - provide greater shareholder and client value through administration and product optimisation
- **Small and medium enterprises** - develop and embed an experience which links the business owners and decision-makers capabilities and/or platforms
- **Member** - participate in a platform for members linked to Liberty capabilities
- The foundation of the strategic deliverables lies in simplifying the environment:
- **Establish a single process flow and IT architecture** to deliver all the chosen services and product offerings

Our Values

1.



Customer Service

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

2.



Claims Settlement

We promise claims settlement **with in a week of receipt of all respective documentation.**

3.



Team.

We have **qualified team** ready to serve our clients **at any one time.**

4.



Premium Payment Options

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

5.



Innovation

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

6.



Professionalism

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

7.



One stop shop

We have **recently acquired a short-term insurance (Liberty General)** and are also able to provide you with short term insurance benefits as well.

Our Products & Distribution Channels

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

1.

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

2.

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

Our Distribution Channels

At Liberty, we have a wide range of distributional channels through which our life and health insurance solutions are accessed by the various stakeholders. Some of our life and Health Channels are:

- **Bancassurance**
Distribution of our products through financial institutions mainly banks and micro deposit taking institutions (MDIs) e.g Stanbic Bank.

- **Brokers**
Sale of our products through licenced insurance brokers e.g Minet Uganda.

- **Affinity Partners**
Distribution of our products to clients through partnerships with various organisations e.g sale of our funeral cover through Uganda Funeral Services.

- **Direct Clients**
Through walk in clients .

- **Worksites**
Distribution of our products to employees of various employer groups. e.g Kakira Sugar works Ltd

- **Direct Sales Agents**
Through licenced individual Agents employed by the company and deployed in various branches across the country e.g Mbarara, Kampala and Jinja.

- **Corporate Agents**
Through licenced corporate entities that distribute our products to various companies.



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

#intiwithyou

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SOME OF OUR LOCAL CLIENTS








SOME OF OUR INTERNATIONAL CLIENTS




SOUTH AFRICAN AIRWAYS


A STAR ALLIANCE MEMBER 









**BRITISH AMERICAN
TOBACCO**




EY Building a better
working world




Standard Bank



COLGATE-PALMOLIVE



**CENTUM
LEARNING**





2020 Financial Reporting Award

Winner

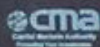
Insurance Services

Presented to

Liberty Life Assurance Uganda Limited

for

Outstanding Achievement in Financial Reporting



Financial review

Despite the difficult operating context experienced in 2020, our business remains well capitalised and financially sound. **We remain resolute on keeping our stakeholders well informed on the details of our operational and financial performance to enable them to achieve their objectives.**

Joan Musiime Mwendha
Country Head of finance



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.
- 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 salesperson, 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

Year	2020	2019	2018	2017	2016
Statement of comprehensive income (Shs'M)					
Insurance premium revenue	40,195	41,630	35,609	37,568	38,837
Reinsurance premium ceded	14,271	12,970	14,373	15,138	14,985
Net insurance premium revenue	25,924	28,660	21,236	22,430	23,852
Investment and other income	1,801	1,057	1,555	2,192	3,997
Total income	27,725	29,717	22,791	24,622	27,849
Net claims expense	4,560	5,645	5,153	4,709	6,780
Net commission expense	5,277	3,856	4,195	1,947	3,152
Administration expenses	14,047	17,409	14,962	10,650	9,838
Profit before tax	3,702	3,664	87	7,209	6,309
Profit after tax	2,604	2,638	48	5,187	4,960
Statement of financial position (shs'M)					
Financial instruments	15,594	13,743	15,242	17,578	20,206
Total Assets	31,660	30,402	31,345	38,701	46,508
Policy holder liabilities	6,675	7,198	8,148	13,095	13,536
Total liabilities	15,045	16,390	19,971	20,527	29,548
Shareholders' Equity	16,616	14,012	11,373	18,174	16,960
Return on Equity	16%	19%	0.4%	29%	29%
Statement of cashflows (shs'M)					
Net cash from operating activities	808	36	4,069	1,499	2,830
Net cash from investing activities	-2,175	1,208	1,977	2,532	4,386
Net cash used in financing activities	-265	-232	-	-4,960	-5,467
Total cash at the end of the year	3,704	5,872	4,860	3,840	4,769
Key ratios					
Reinsurance Ratio	36%	31%	40%	40%	39%
Net claims ratio	18%	20%	24%	21%	28%
Net commission expense	20%	13%	20%	9%	13%
Gross expense ratio	35%	42%	42%	28%	25%
Net expense ratio	41%	48%	70%	47%	41%
Combined ratio	79%	82%	114%	77%	83%

Supporting transparency, integrity and accountability in the financial reporting process remains an important part of who we are.

Key performance measures

Our financial performance for the 2020 was measured against three key performance metrics namely Capital Adequacy Ratio (CAR), Value of New Business (VoNB) and Return on Equity (ROE). Performance against these targets is as summarized below.



Capital Adequacy Ratio - 307%

(2019: 249%, Target Capital Adequacy Ratio: 200%)

The Company is solvent as at 31 December 2020 with the Capital Adequacy Ratio increasing by 23% from the prior year. This was mainly driven by the growth in the shareholders' funds from the profit generated during the year.

The CAR of 307% was above the prescribed regulatory minimum CAR of 200%.



Value of new business (VoNB) margin- 4.5%

(2019: (0.2%), Target 1%-1.5%)

This measure the present value of the projected net profit expected from business covered arising from sale of new policies and from one off premium increase arising from increase in benefits offered on existing business. The Company's VoNB margin increased above breakeven point to positive 4.5% from negative 0.2% as at 31 December 2019.

This was mainly attributable to an improvement in the net expense ratio to 41% from 48% in the prior year. Improving margins and increasing volumes remain a primary focus of management.



Return on Equity - 16%

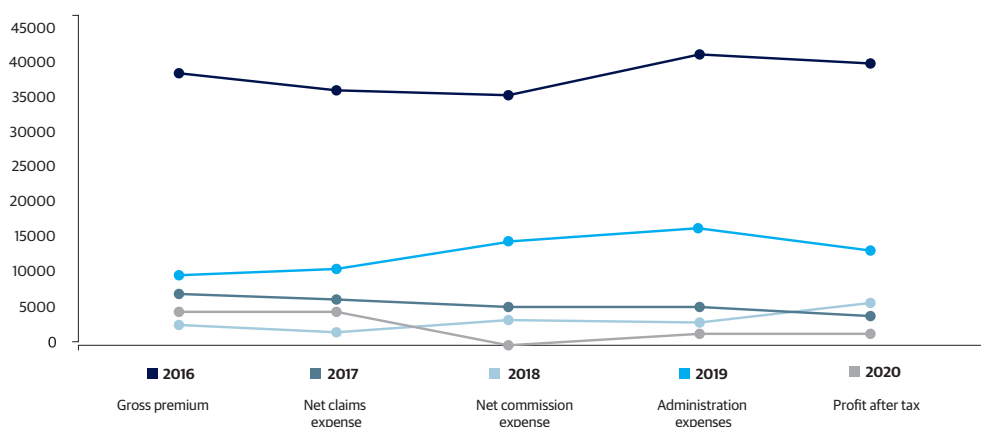
(2019:19%, Target 15-18%)

Although the return on equity reduced to 16% from 19% from the prior year, it was still within the targeted range of 15-18%. The reduction in RoE was mainly driven by the reduction in net written premium and net profit year on year given the impact of the COVID-19 pandemic on the business activity.

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

2020 financial performance overview

Key performance trends 2016 to 2020 Shs' M

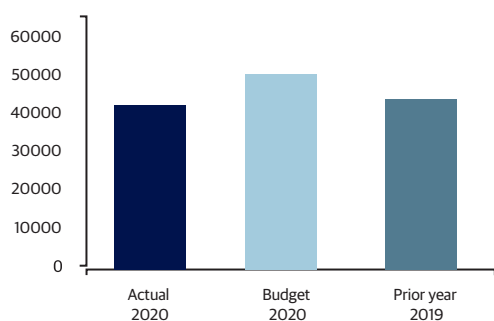


Statement of comprehensive Income

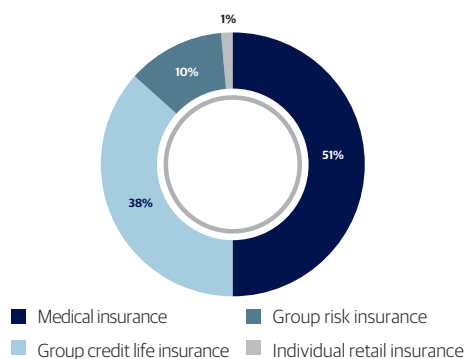
Insurance premium revenue

Contribution of the key classes of business to the year's GWP is as below.

Gross Written Premium
Shs'M



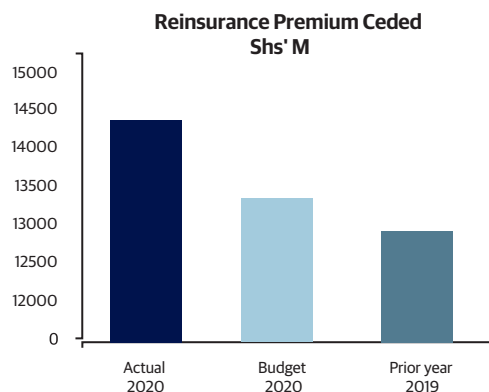
GWP Contribution per class - %



Gross written premium for the year of Ushs 40.2 billion is 19% lower than budgeted premium of Ushs 49.8 billion and 3% lower than previous year's premium of Ushs 41.6 billion with the medical insurance department posting Ushs 20.3 billion (budget Ushs 21.9 billion) and Life insurance department posting Ushs 19.9 billion (budget Ushs 27.9 billion).

The reduction on prior year is mainly explained by the 38% decrease in the new business written in 2020 of Ushs 11.2 billion compared to Ushs 18 billion in 2019. The gap on budget and prior year (refer to graph 1 above) is mainly explained by reduction in the gross written premiums experienced on the key group credit life insurance schemes following the lock down due to the COVID-19 pandemic thus leading to reduction in the borrowings from various banks under group credit life insurance.

Reinsurance premium ceded



The reinsurance ratio closed at 36%, 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.

14% increase in the reinsurance expense year on year (2020: Ushs 14.2 billion Vs 2019: shs 12.9 billion) is mainly due to the change in the health reinsurance treaty for 2020 to decrease the Company's net retention to 5% from 15% in the prior year, thus lowering the reinsurance expense.

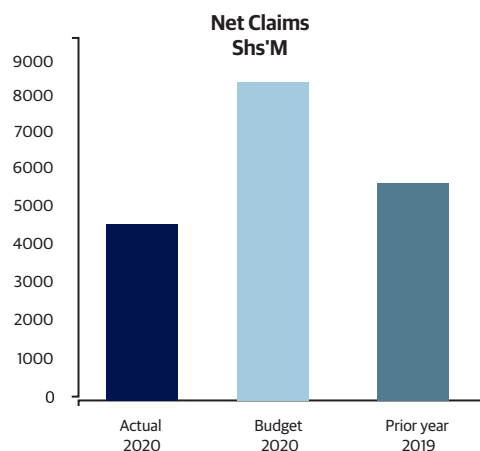
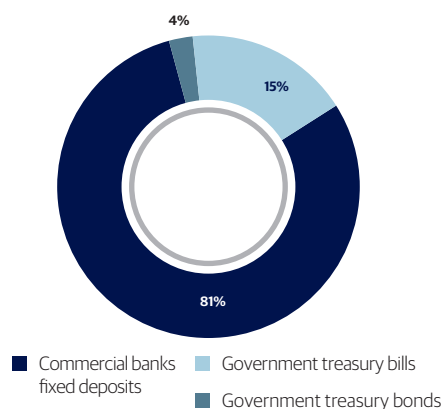
Review of the 2020 reinsurance arrangements

This was as below;

	Group Credit life	Stanbic Credit Life	Group Life Assurance	Health	TOTAL
	Ushs'm	Ushs'm	Ushs'm	Ushs'm	Ushs'm
Reinsurance Premiums	(864)	(96)	(606)	(12,560)	(14,126)
Claim Recoveries	747	-	680	11,453	12,879
Reinsurance commission margin	-	-	-	-	-
LLAU share of reinsurance profit	-	-	-	-	-
Decrease in net reserves	(511)	(57)	(358)	264	(662)
Reinsurance profit(loss)	(628)	(153)	(284)	(843)	(1,908)

The reinsurance loss to the Company in 2020 was Ushs 1.9 billion as shown in the table above compared to shs 2 billion in the prior year. On the Health/ Medical business - this was mainly due to low claim recoveries from reinsurers compared to the reinsurance premiums and the release of the provision for claims incurred but not reported due to the reduction in the treaty retention to 5% in 2020 from 15% in 2019. Although the reinsurance recoveries were high on the rest of the classes of life business, there was a reduction in the reinsurance reserves on the credit life business thus leading to a Shs 1.1 billion reinsurance loss.

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 to continually optimize its reinsurance arrangements.



Return on Investment

The total investments held as at year end were shs 15.4 Billion; comprised as above.

The performance of the investment fund was largely stable during the year with a weighted average rate of return of 11.6% largely due to sustained liquidity in the market.

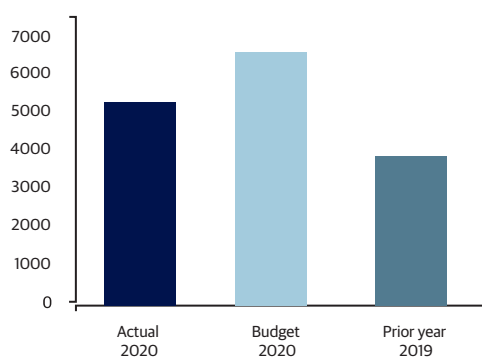
Management continues to focus on investment in well secured institutions which deliver good returns with oversight of the investment committee of the board of directors.

Net claims expense

The net claims ratio was 18% compared to 20% 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.

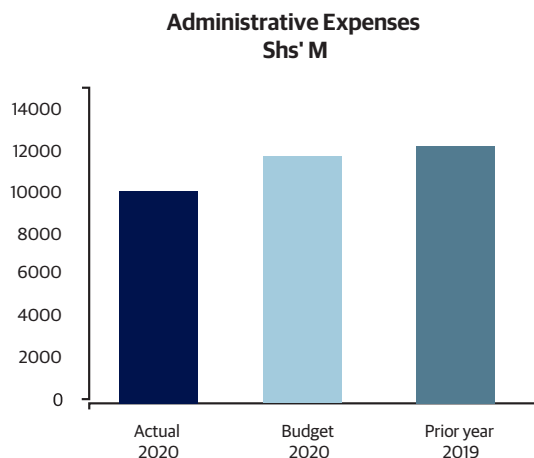
The net claims incurred for the period were shs 4.6BN, which is a testimony of the promise to our customers to protect them in times of uncertainty as well as our commitment to doing business the right way.

Net Commission Shs' M



Net commission expense

The net commission ratio reflects the costs of business acquisition. The net commission ratio for the period was 20% compared to 13% in the prior year and a budget of 17%. The year on year increase in the commission ratio was mainly driven by the 100% reduction in the profit commission income (2020: nil Vs 2019: Shs 935 million) in line with the increase in the claims recovered from the reinsurers year on year. 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 decreased to 41% for 2020 compared to 48% in 2019, mainly due to reduction in administrative costs following adaption of the work from home model during the lockdown due to the COVID-19 pandemic. Management is committed to reduce costs in a sustainable manner in line with the set targets.

Combined ratio

The combined ratio decreased by 4% to 79% in 2020 compared to 82% in 2019. 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 was mainly the reduction in the net expense ratio as explained above.

Statement of financial position

Total assets

The total asset base as at 31 December 2020 was shs 31.7 billion. This was mainly comprised of 49% investment in financial instruments, 24% prepayments and 12% cash and bank balances.

There was no significant change in the total assets value year on year with only a 4% increase noted arising from growth in the investments in financial instruments. 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 8% to Shs 15.4 billion in 2020 from Shs 16.4 billion in 2019. 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 2020, the Company's CAR was 307% (2019: 249%) which is above the stipulated regulatory minimum CAR requirement of 200%.

Sensitivity Analysis.

The company monitors the impact of various factors on its future financial position, liquidity, and performance by performing various sensitivity analysis. The key performance measures that have a significant impact on the company's future performance are summarized as below;

Capital Adequacy Ratio (CAR): This is mainly impacted by the changes in the insurance regulations such as changes in the minimum required share capital.

The company uses the risk-based approach to monitor the CAR to ensure that this does not fall below the prescribed regulatory minimum of 200%. If there is a future increase in the minimum required share capital, there would be an increase in the company's capital adequacy/Solvency level and the decrease in the share capital would have a negative impact on the solvency.

Value of new business (VoNB) margin: This is affected by the business risk whereby the company in future may not be able to grow its market share hence a reduction in the future premium revenue and profitability. And a future increase in the new business would have a positive impact on the company's profitability.

Return on Equity: Excluding new business growth explained above, the other key driver of the company's income is the interest income on investments. This is impacted by the change in interest rates on key investments mainly commercial banks fixed deposits and government treasury bills. A future increase in the rates would have a positive impact on the company's profitability and the reverse is true.

Liquidity Management Strategy

The Company has an Asset Liability Matching (ALM) mandate that specifies the short- and long-term assets that may be used to cover for the respective liabilities. It further sets out a maximum acceptable variance of +/- 5% between each asset and liability. Under this mandate management performs a monthly ALM and thus it can determine if all short- and long-term commitments are adequately backed by the respective assets. All variances above the acceptable limit are investigated and resolved by management.

Capital Expenditure

The Company through its annual budgeting process identifies its capital expenditure, new products or research and development expenditure needs. Capital expenditure for property plant and equipment such as Motor Vehicles and computer equipment's are purchased in line with budget and maintained in country. New product, research and development needs identification is driven by the group company (Liberty Africa) and subsequently implemented across the different subsidiaries including Liberty Life Uganda.

Statement of cashflow analysis

The Company's cashflow from operating activities increased to shs 808 million in 2020 from shs 36 million in 2019. 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 to shs (2.2) billion in 2020 compared to shs 1.2 billion in 2019 mainly explained by a cash outflow for payout of the unit trust policy holders during the year.

There was a 14% increase in the cashflow used in financing activities to shs 265 million from shs 232 million in 2019. This relates to interest charge on the finance lease liability in line with the requirements of IFRS 16.

Overall, there was a net cash outflow of Shs 1.6 billion compared to cash inflow of Shs 963 million in 2019.



Awards and Recognitions



Sponsorship Award
From
Uganda insurance Brockers



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



Winner
2020 Financial reporting
(FiRe) Awards



Appreciation Award
Winner Life Insurance



Recognition Award
Annual Conference of the
Insurance Brokers
Association of Uganda

Combined Chairman and Managing Director Review



Gerald Ssendaula
Chairman, Board of Directors



Joseph Almeida
Managing Director

2020 was a truly unique year in which Liberty truly lived its purpose. We pivoted with the crisis and are aggressively investing in the simplification, competitiveness, and transformation of our business. We have not let the crisis divert us from the execution of our strategy.

Never in Liberty's history have we encountered such a deep humanitarian and economic crisis as what we faced in 2020. While the COVID-19 pandemic highlighted the extent of the socio-economic challenges in our society, it also presented a unique opportunity for us all to co-operate in shaping a more sustainable future.

We believe Liberty was established for times such as these. With a track record of helping our clients navigate and prepare for life's unexpected events for more than 13 years, we continue to support our clients, financial advisers, employees, and communities as an insurer they can depend on. We can look back on 2020 knowing that, above all, we have truly done what matters. We remain committed to creating shared value for all our stakeholders by living our purpose and working together as one community to support those around us.

Our Response to COVID-19

We have always believed that our purpose of improving people's lives by making financial freedom possible enabled us to make Liberty not just our name, but what we do. This period in history will always be remembered as one of profound vulnerability and, in many ways, Liberty was at the heart of the COVID-19 crisis.

Liberty's response to the COVID-19 pandemic required decisive action to protect the business, its employees, advisers, and clients. Our actions and decisions were guided by our three leadership principles below and was primarily aimed at fulfilling our purpose.


Imagine it's possible

Act with humanity

Do what matters

At half-year we created a **Ushs 442 million pandemic reserve.**

To prudently recognise the financial impact of the pandemic and reassure our clients that we had adequately provided for the costs and claims which could arise should they be directly impacted by this crisis.

We continued to operate our business during the lockdown.

To protect the health and safety of our community, employees and advisers were equipped with the appropriate tools and technology enabling them to continue their roles from home.

We supported **our clients.**

We continued to pay all legitimate claims timeously.

We accelerated the **digital enablement** of client and adviser engagements.

The roll out of digital adviser tools was accelerated with the delivery of Artwork to over 50 advisers, the implementation of digital advice tools at record speed, and the provision of digital engagement tools including Microsoft Teams.

Our **capital strength** allowed us to preserve our financial position when market volatility increased.

No investment asset portfolios were liquidated during the crisis, and thus we were able to earn maximum returns on all our investments.

The safety and health of our employees both physical and mental remains our highest priority. Following the announcement of the national lockdown, our employees transitioned to a home office environment within two weeks. Our employees were equipped with the necessary tools and technology to fulfil their duties. We continue to help employees adjust to this new reality, where they must manage families, homeschooling, and increased anxiety over the impacts of COVID-19. Unless necessary, all employees continue to operate remotely, with only a small number of essential workers entering the office daily where the most stringent safety protocols are observed.

We created a wellness program aimed to provide employees with the tools they needed to remain engaged, motivated, and inspired while continuing to provide support to our clients. The employees had access to confidential assistance on both personal and professional levels. The program was also extended to our financial advisers. We continued to invest in our employees' skills development during the year through enrolment in various training and development programs.

We believe our financial advisers play a critical role in society. Their advice helps our clients make complex decisions that affect their future. As integral members of our team, it was imperative that we supported our tied agents during this

period. As part of our support, we ensured their businesses remained sustainable through the adoption of digital channels, and we introduced a scheme to provide financial assistance for qualifying advisers. Above all, we ensured they were empowered for virtual interactions to ensure uninterrupted service capability.

During this challenging year, the Board aimed to ensure that the interests of all stakeholders were considered and provided the necessary guidance and support to Management whenever it was required to ensure accountability and transparency.



Reflecting on 2020

The GDP growth rate for FY 19/20 contracted by 3.9% to a rate of 2.9% as compared to 6.8% in FY 18/19. This was mainly attributed to the impact of the national lockdown effected in March 2020 due to COVID-19, thus the preventive measures implemented weighed heavily on certain activities in the service sector, particularly education, hospitality, and tourism.

Furthermore, the economic outlook for FY 20/21 is still uncertain due to the timeline of the world wide vaccines roll out, the course of the virus and its new variants, continued weakness in the global economy, weather related natural disasters, trade policy uncertainty and technology fractions. The GDP growth rate for FY20/21 is projected in the range of 3% to 3.5% supported by fiscal and monetary stimuli. (Source: Uganda Bureau of Statics).

In response to the economic situation above, the Central Bank reduced its rate to 7% as at December 2020 as compared to 9% as at 31 December 2019.

In response to the COVID-19 pandemic, the Insurance Regulatory Authority of Uganda (IRA) issued guidelines to ensure that the insurance sector remained resilient and continued to honor obligations to the policy holders. Key among these was the restricting of the credit period to allow customers extended time to 90 days after policy inception for payment of premiums before lapse of the policies. This meant that the Company had to employ robust business continuity and risk management plans to ensure continued service delivery. For the year 2020, the insurance industry remained on a growth trajectory, with 9.3% growth in the total gross written premiums to Ushs 1,065 billion in 2020 as compared to Ushs 974 billion in 2019. There was however a 3.9% decrease in the growth rate (9.3% between 2020

and 2019) as compared to (13.2% between 2018 and 2019) because of the slowed business activity with the outbreak of the COVID -19 pandemic. Of these, the Life insurance business contributed 30% (Ushs 324 billion) representing a 17% growth year on year (2019: Ushs 276 billion).

Liberty Life Assurance Uganda Limited's market share for 2020 was 12.3% representative of the gross written premiums for the year 2020 of Ushs 40.2 billion as a percentage of the life insurance industry total. (Source; Insurance Regulatory Authority Quarter 4 2020 Report).

Despite the difficult operating context, the business remains well capitalized and financially sound. There was a focus on our key strategic value drivers and thus our Capital Adequacy Ratio (CAR) as at 31 December was 307% way above the prescribed minimum requirement of 200%.

There was no significant change in our net profit year on year (1% decrease), posting a net profit of Ushs 2,604 billion as compared to Ushs 2,638 billion in 2019. Our shareholders' equity grew by 19% to Ushs 16,616 billion compared to Ushs 14,012 billion in 2019. We further continued to fulfil our promises to our customers especially in these difficult times through payout of net claims of Ushs 4,560 billion, of which Ushs 3,200 billion related to death and disability claims as well as insuring over 2.9 million lives. Details of the Company's performance are included in the financial review section of this report on page 25.

The board and EXCO team are confident in the future of our business and the Company's strong capital position and remain committed to responsible investment to deliver sustainable value for all our stakeholders.

...Key among these was **the restricting of the credit period to allow customers extended time to 90 days after policy inception for payment of premiums before lapse of the policies.** This meant that the Company had to employ robust business continuity and risk management plans to ensure continued service delivery.



Looking ahead

While the arrival of vaccines brings renewed hope, we know that COVID-19 is likely to remain a reality for quite some time. We will continue to support our clients during their most vulnerable moments of need and, motivated by our leadership principles and our commitment to living our purpose, we will continue to act with humanity as we navigate any challenges 2021 might bring.

Our five strategic value drivers will continue to anchor our strategic themes and initiatives in 2021. Details of these are included in the who we are section of this report on page 14.

Appreciation

On behalf of the board and the exco team, we would like to thank our employees and financial advisers for their exceptional efforts in responding to the uncertain and the unexpected. Our people have been nothing short of heroic, and we are deeply appreciative of the work they do every day.

We would like to extend our deepest sympathy to the families, friends, and colleagues of the members of the Liberty community who died due to COVID-19. We know that they leave many loved ones behind. We continue to prioritize the safety of our employees, financial advisers, and clients to ensure we are doing our part to halt the spread of the virus.

We would also like to thank our clients, investors, suppliers, and the communities in which we operate for their continued support. Together, we are stronger, and we will continue to deliver on our promises to clients and advisers while remaining a beacon of hope and support for all within our community.

Joseph Almeida
Managing Director
31st March 2021

Gerald Ssendaula
Board Chairman
31st March 2021



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

Board of Directors



Mr. Gerald M. Ssendaula



Mr. Mike du Toit



Mr. Kevin Wingfield



Mr. Anthony M. Katamba



Mr. Mayur M. Madhvani



Mr. Joseph F. Almeida



Ms. Patricia A. Ojangole

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 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,
Kenya, 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: Jan2016
RESIGNED 1ST July 2020
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

Joint 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

Ms. Patricia A. Ojangole Non-Executive Director

B. Com (Hons.) - Makerere University, Association of Certified Public Accountants (UK), MBA-Eastern and
Southern Africa Management Institute (ESAMI), Master of Philosophy in Development Finance-University
of Stellenbosch, Cape Town, • PhD in Development Finance - On going

APPOINTED: 12th November 2020
COMMITTEE: Audit and Risk

Liberty Executive Committee



Mr. Joseph F. Almeida



Joan Musiime Mwondha



Frank Tindyebwa



Ms. Cissy Nanfuka



Agatha Namara



Davis Mugabi

Mr. Joseph F. Almeida **Managing Director**

Associate of the Chartered Insurance Institute (ACII UK)
Joined Liberty: 2005
JOINED EXCO: 2005

Joan Musiime Mwondha **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

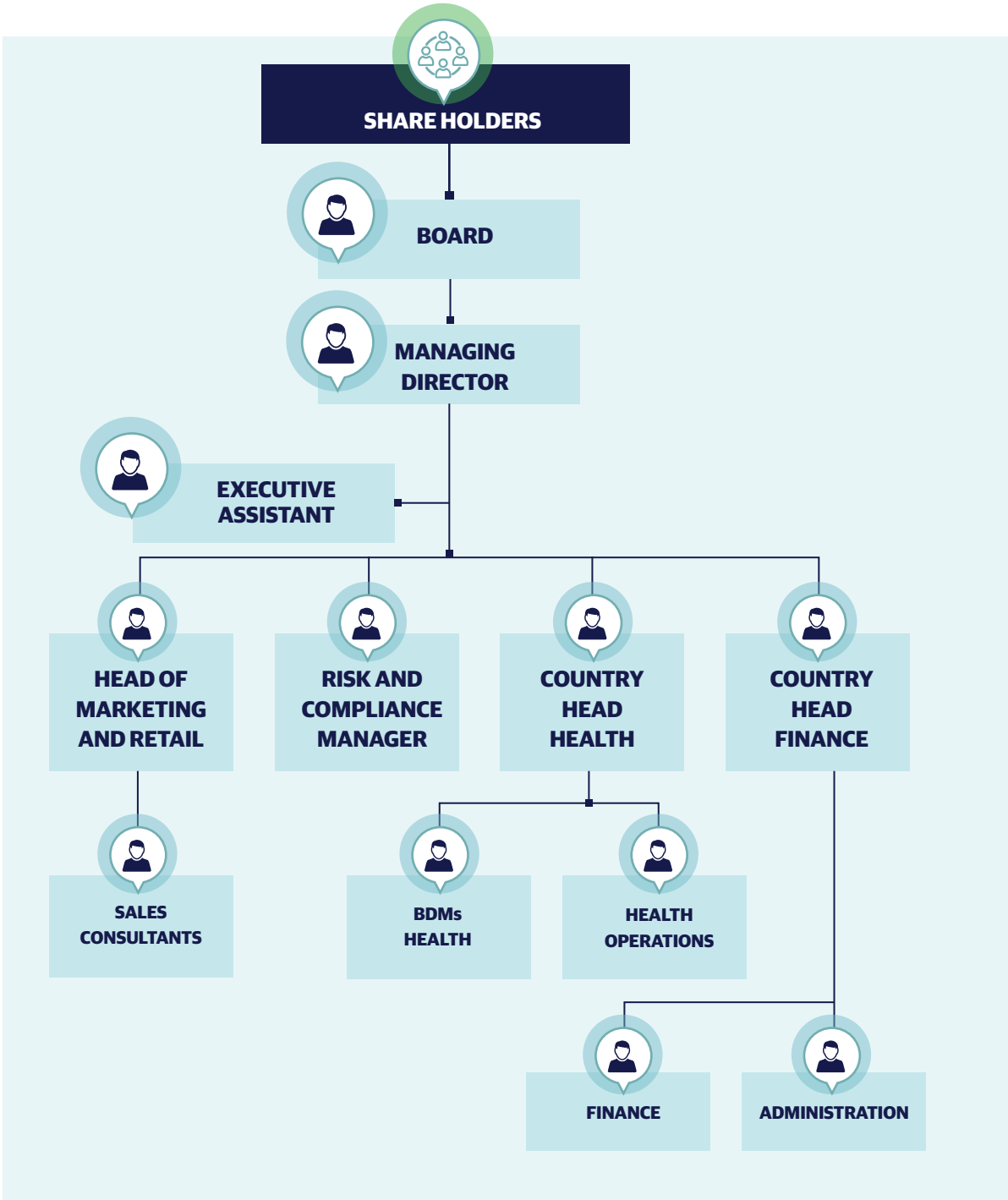
Agatha Namara **Head Retail and Marketing**

Master of Science in Finance and Accounting, Bachelor of Business Administration - Makerere University,
Joined Liberty: 2014
JOINED EXCO: 2017

Davis Mugabi **Risk and Compliance Manager**

Diploma in Law-Law Development Centre, International Certificate in Banking Risk and Regulation- Global Association of Risk Professionals, Post Graduate Diploma in Financial Management-Uganda Management Institute, Bachelor Of Commerce (Accounting) B.Com-Makerere University Kampala
Joined Liberty:2020
JOINED EXCO:2020

Liberty Life Assurance Uganda Limited Organogram 2020





LIBERTY

Put your mind at ease.

Focus on your business and let us focus on protecting it against all odds. **Get a quote today**

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#initwithyou

Corporate Governance Report

We have an absolute commitment to ethical corporate governance and with transparent and effective governance structures in place, we ensure that we comply with all relevant regulations. We do this not only for the good of the business and to create and preserve value for our stakeholders, but also because it is the right thing to do.

Corporate Structure

Liberty Life Assurance Uganda Limited is a specialist life insurance company that was incorporated in 2006. As at 31 December 2020, the Company had two shareholders; Liberty Holdings Limited (51% shareholding), one of the largest life insurance companies Listed on the Johannesburg Stock Exchange and Madhvani Group Limited (49% shareholding), one of Uganda's largest and esteemed private enterprise groups. The Company is licenced Life insurance Company (Licence number IN/023/2020) under the Insurance Act, 2017 Laws of Uganda. The corporate structure is aligned to our vision of being the trusted leader in insurance and investment in Africa and other chosen markets. Details on who we are included on page 12.

Regulatory and corporate governance framework

The Company's corporate governance approach is guided by the Company's Act 2012, Laws of Uganda, the Insurance Act 2017, Laws of Uganda. Liberty has further adopted the King IV Report. The above all set a comprehensive framework to guide effective corporate governance. The Company strives for a culture where each employee takes accountability and responsibility of ensuring that the right business is done in the right way. This is purposely influenced by setting the tone at the top and having values, ethics, and practices to assist in the achievement of our purpose and vision.

Commitment to excellent leadership, ethics, and Corporate governance

At Liberty, our board of directors are accountable for decision-making and ethical actions, thereby providing effective leadership. This responsibility is cascaded throughout our organisation and we expect our employees and representatives to act in a way that reflects our values, cultivates trust, and inspires confidence in our brand.

Our approach to business ethics and our obligations to clients, advisers, shareholders, employees, representatives,

suppliers, the public and the authorities are enshrined in our formal code of ethics. Liberty is committed to maintaining the highest standards of ethical behaviour, to upholding ethical standards in all its activities, and to complying with all prevailing laws that are applicable to our business and the public and private environments in which we operate.

The purpose of the Code of Ethics is as below.

To define our company's ethical standards and to inform employees and other stakeholders about what this implies and entails.

To provide guidance for employee behaviour in pursuit of maximising the alignment of workplace behaviour with the organisation's values.

To provide all parties contemplating contact with our company with the relevant information about our attitude to conducting business ethically.

To underpin our company's initiatives to manage ethics effectively.

To support the creation of an ethical culture in terms of which ethical conduct is the norm within our company and relative to all stakeholders.

During the year, we convened an ethics ambassador's forum that acts as a taskforce to assist the Company with positioning and creating awareness of our ethical culture across all business units. In December 2020, we launched our ethics awareness training programme for employees to further instil our corporate culture.

While the COVID-19 pandemic unfortunately meant we had to put on hold several planned awareness campaigns, we understand more than ever that our clients depend on us as a trusted partner during challenging times. To ensure we provide them with the same level of service they are accustomed to, we adapted the new ways we do business. Throughout the year, we continued to promote that Liberty financial advisers act with honesty and integrity, treat clients fairly and above all provide the right quality service and advice.

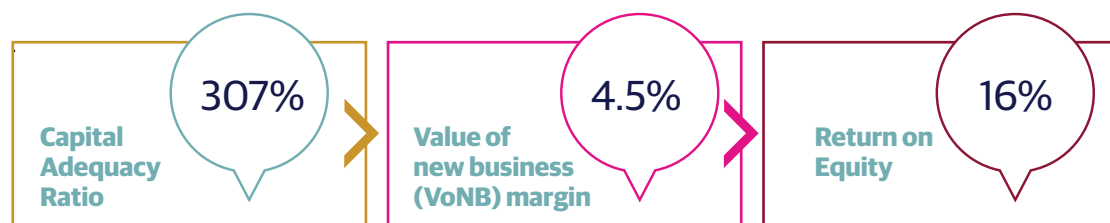
Liberty's compliance with legislation, applicable standards and adherence to its own policies is monitored through the management and compliance committee (a management committee). The Audit and Risk committee of the board monitors the overall responsible corporate citizenship performance and ethical culture of the company.

Strategy, performance and reporting

Our board is ultimately responsible for our overall strategic direction and oversees the implementation of our business objectives and strategies while ensuring that the business remains within its risk strategy and appetite, and alignment with its long-term interests. We use our key metrics to measure our performance which in turn enables us to determine whether we successfully delivered on our strategy. These performance targets also incorporate risk assessments that were established through our strategic planning process.

The board considers the impact of strategic actions on financial targets, the planned risk profile and capital demand and supply. The respective 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. For the Company the key performance metrics used are:



Performance is assessed against targets which incorporate assessments of risk established through the strategic planning process. Details of the 2020 performance assessment against the above metrics are included in the Financial review on page 25.

Regarding the 2020 performance targets, Liberty's market share for 2020 was 12.3% representative of the gross written premiums for the year 2020 of Ushs 40.2 billion as a percentage of the life insurance industry total of Ushs 324 billion. (Source; Insurance Regulatory Authority Quarter 4 2020 Report).

There is an assessment of the constraints likely to impact the achievement of the Company's objectives. These are risks are mainly categorised into.

- Strategic and business Risk
- Fraud and Insurance Risk
- Market Risk
- Credit Risk
- Information and Cyber Security Risk
- People Risk

Details of the impact of the above risks and the measures taken to address them are included in the Risk management and control report on page 55.

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

As the overall custodian of corporate governance and to ensure clear segregation of duties, our board delegates roles and responsibilities to appropriate individuals, functions, or committees. Our Managing Director and senior management are responsible for Liberty's day-to-day management. By doing this, we can create a transparent and accountable organisational culture across all levels of our business.

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.

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

Enhancing understanding of risk

Balancing upside opportunities with the cost of risk

Allocating capital to value-accretive activities

Establishing legitimacy through ethical leadership

Improving brand and reputational coherence through responsible behaviour

Embracing an inclusive approach to business

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 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.

Dividends

The Company has in place a dividends policy that sets out the various strategies and matters for consideration before dividend pay-out. The Company's approach is to pay dividend that increase in a stable manner overtime, are sustainable and reward shareholders in a timely manner for the use of their capital. Dividends paid should also not compromise the capital position or liquidity requirements or impede strategic growth plans of the business.

The dividend policy allows for a dividend to be declared when the Company's capital adequacy ratio (CAR) is above the regulatory minimum of 200%. Although the Company achieved a CAR of 307% as at 31 December 2020, there was no dividend declared/paid for the year. This was in line with the IRA Uganda directives for Insurance companies to hold dividend payments in light with the impact of COVID-19 on the insurance companies and their ability to meet their obligations mainly to the policy holders.



Our governance and leadership structure

Board: Ultimate accountability for the effective governance of Liberty resides with the board.

The duties of individual board members include

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

Company secretary: The company secretary provides the directors of the company, collectively and individually, with guidance in respect of their duties, responsibilities, and powers.

Managing Director: The board delegates authority to the managing director to manage, direct, control and coordinate the business activities and affairs of the company.

Appropriately mandated board governance committees enable the board to oversee the effectiveness of the governance framework.

Exco Team: Exco supports the managing director who is ultimately responsible for formulating the company's overall strategy and targets that are to be approved by the board. Exco assists the managing director in monitoring the operational performance of the company and, where appropriate, significant businesses, and ensures the company has adequate financial and operational systems for the management of risk and internal control.

Management oversight committees: Exco delegates responsibility for overseeing the implementation of the governance, risk management and capital management frameworks to various management and oversight committees.

Board of Directors

The Board of Directors are the custodians of the business. They are ultimately responsible and accountable for promoting both the short and long-term success of the Company, ensuring its sustainability to maximise value for shareholders and for the benefit of its stakeholders. Day-to-day management of Liberty is assigned to key executives and senior management. The soundness of governance practices has been brought to the forefront during past crises, and the covid-19 pandemic was no different.

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, gender, 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 delegation of authority has facilitated utilisation of expertise at both committee and management level and ensured that critical functional areas are adequately resourced and headed by competent individuals allowing the Board to focus on matters reserved

for decision making. The effectiveness of the board and its committees is assessed regularly.

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 to ensure that the best possible advice is received for the attainment of the Company's strategy.

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.

Composition of the board

We recognise that a balanced board is vital for sustainable value creation. The board composition is both qualitatively and quantitatively balanced in terms of skills, race, gender, experience, tenure, and independence. The board currently consists of nine non-executive directors of which eight are male and one is female, which is considered effective and appropriate for the size of the Company.

Following recruitment of a female non-executive director this year, the board is committed to further enhance gender diversity.

The directors' profiles are included in this report on page 39.

Specific roles of the Chairman include:



Recruitment and Succession Planning

The Company's recruitment process for both Directors and Senior Management is a formal, rigorous, and transparent procedure that involves both the internal and external vetting of candidates. The appointment is on merit with candidates measured against a pre-determined criterion based on the required skills and experience. A pool of suitable board candidates is developed with the assistance

of an external consultant, and candidates are selected to fill identified actual and potential gaps informed by the skills matrix, which is updated annually. This is also governed by the Company's Articles and Memorandum of Association. A select panel of directors interview the candidates, and successful candidates are recommended to the Board for approval. The appointments are confirmed at the AGM.

The Board has adopted a continual approach to review and refresh its succession plan for both the board and senior management team to ensure alignment with the organisation's strategy and identify candidates with the skills, experience, and knowledge required to further the vision and strategic direction.

Board Changes

At the AGM held on November 12th, 2020, Ms Patricia Adongo Ojangole was appointed as a non-executive director and Chairperson of the Audit and Risk Committee. Mr Kevin Wingfield resigned from the board on July 1st, 2020 following his appointment as Chief Executive Stanbic Bank Tanzania.

Director Induction, Board Development and Evaluation

There is formal continuing development and education undergone by the Directors and the committee members. Through this the directors and committee members are kept abreast of applicable legislation and regulations, changes to rules, standards, and codes, as well as relevant sector trends. Time is scheduled outside of the Board meetings to run dedicated sessions that highlight critical issues related to the Company's strategy.

During the year, the directors and committee members were trained on Anti Money Laundering, IFRS17-Insurance contracts, and on environmental, social and governance risks.

In line with the good corporate governance principles, performance assessment for the Board and its committees, Managing Director as well as the Senior Management team is conducted annually. This was conducted in November 2020 with the facilitation of an external independent service provider.

The criteria against which the assessment was done included:

- The structure of the board
- The competence and experience of the individual directors
- The independence of the board
- Meetings of the board
- The compliance, governance, and strategic functions of the board

The results of this assessment were subsequently provided to the board in March 2021. 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.

Board Committees

The Board delegates some of its responsibilities to the Board committees in line with the Board mandate but remains ultimately accountable to shareholders. The Board has accordingly established the following committees:

Audit and Risk Committee

Investments Committee

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 as below:

Reviews the company's risk and capital philosophy, strategy, policies and processes. These include the Environmental, Social and Governance Risk (ESG), Strategic, business and Insurance Risk.

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.

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

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 as below:

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 meeting

Following the institution of the lockdown due to the COVID-19 pandemic, the Board seamlessly transitioned to virtual meetings via the Microsoft Teams platform to ensure the safety of the board members and employees. The board meets routinely as provided for in the Company's Articles of Association. The non-executive Directors further meet separately at least once annually. 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 2020 was as below

Name	05 th March	04 th August	12 th November
Mr Gerald Ssendaula - Chairman	✓	✓	✓
Mr Ravi Singh	✓	✓	✓
Mr Mike Du Toit	✓	✓	✓
Mr Kevin Wingfield	✓	NA	NA
Mr Anthony Katamba	✓	✓	✓
Mr K. N. Nair	✓	✓	✓
Mr K. P. Eswar	✓	V	V
Mr Mayur Madhvani	✓	✓	A
Ms Patricia Adongo Ojangole	NA	NA	✓

The Investment committee meetings attendance during the year 2020 was as below

Name	03 rd March	28 th July	10 th November
Mr. K. N. Nair - Chairman	✓	✓	✓
Mr Ravi Singh	✓	✓	✓
Mr. Mike du Toit	✓	✓	✓
Mr Peter Makhanu	✓	✓	✓

The Audit and risk committee meetings attendance during the year 2020 was as below

Name	03 rd March	28 th July	10 th November
Mr. Ravi Singh - Chairman	✓	✓	✓
Mr. Anthony Katamba Director	✓	AA	AA
Mr Peter Makhanu	✓	✓	✓
Mr. K. N. Nair	✓	✓	✓

KEY

AA - Absent with Apology

✓ - Present

NA - Not Applicable

Independence

The directors are 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. The independence of each director is assessed annually by the Board as part of its annual Board effectiveness review. There were no independence issues identified and reported during the year 2020.

Conflict of interest

The group framework and board mandate enumerate in detail the management of conflict of interest procedure which includes standard agenda item for disclosure of conflicts of interest at all board meetings, requirements to declare any actual or potential conflict of interest prior to appointment, as and when it arises and annual declaration of interests.

This ensures that 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 and all declared interests are recorded in a Register of interests maintained by the company secretary.

In situations where a conflicted director is the sole expert on the matter under discussion, the Board may allow for the presentation of his or her expert input; however, the director will not participate in the deliberation and voting on the matter. If a declared conflict be to such an extent that it interferes with the director's ability to fulfil their fiduciary duties or cause reputational damage to the Company, the director may be required to resign. The Board is satisfied that the directors discharged their responsibilities effectively.

Board Remuneration

Liberty has a formal and transparent procedure for setting remuneration for the Directors, EXCO Team as well as the rest of the employees. This is through an established remuneration policy and set of procedures, approved by the board, and endorsed by shareholders. The standards and practices drive appropriate decision-making and behaviours, in line with business strategy, risk management practices and long-term interests. This function is performed by the Audit and Risk committee of the board.

Liberty's remuneration structures are designed to attract and retain talent at all levels, with an appropriate mix between fixed and variable pay. Remuneration packages are geared to the individual'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.

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 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.

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.

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 Board is satisfied that the EXCO team is adequately staffed and has the required skills and knowledge to effectively execute their duties.

The EXCO team is currently comprised of six 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 on page 40 of this report.

Relationship with stakeholders

In accordance with our intention to engage our key stakeholders meaningfully, we aim to gain insights into their needs. Stakeholder engagement is increasing being integrated into the company’s business processes given the industry we operate in, earning and maintaining the trust of our stakeholders is critical to our sustainability. The company proactively engages various stakeholders including employees, shareholders, customers, Regulators, and suppliers.

Details of the stakeholder engagement are included in the sustainability report on page 65.

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.
- Road map 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 4(R) of the financial statements.



The directors share a light moment after the board meeting

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.

For the year 2020, the audit risk committee received sufficient evidence and thus were satisfied with the independence, effectiveness, quality and staffing of the internal audit department. There were further pleased to see an increased level of engagement from the internal auditors on utilisation of various digital platforms to perform the 2020 audit amidst the challenges caused by the national lockdown due to COVID-19.

There is a formal process for review of the internal audit departmental structure, execution of plans and overall strategy for the department. The internal audit function is also subject to quality assurance review by an independent external party. The process of the quality review was completed in quarter 4 2020 and the results obtained. These are being incorporated to assist in strengthening the alignment to the internal audit methodology.

The Company interacts with the internal auditors through various ways mainly - presentation of the internal Audit plan to the Audit and Risk committee, meetings with management and during and after the audit as well as meeting with the ARC chairperson to discuss key matters before the ARC meetings.

External Auditor

The Company has a formal and transparent procedure for appointment of the External Auditor. This is through an open bidding system where applications are received from various approved audit firms out of which selection of the best one is done based on set out criteria. Appointment of the external auditor is approved by the shareholders.

The external auditors are subject to mandatory rotation after every four years in accordance with Section 167(2) of the Company's Act, 2012 laws of Uganda and Section 51 of the Insurance Act, 2017 Laws of Uganda. The Company's auditor KPMG Certified Public Accountants is eligible for reappointment in line with the laws above.



The Company interacts with the external auditors through the various ways below:

- Presentation of the External Audit plan to the Audit and Risk committee. This includes a discussion on various matters mainly the identified significant risks, audit approach and methodology, materiality, and audit fees. The audit fees are set based on factors such as the inflation rate, the complexity and quality of the audit.

- Onsite meetings with Management and audit fieldwork. This is mainly through the kick-off meetings at the start of the audit, show-me meetings with departmental heads and audit closure meeting at the close of the audit.

- Presentation of the Management letter and the Audit report to Management and the Board respectively. This is done at the quarterly audit and risk committee meetings



The significant matters that the Audit and risk Committee considered in relation to the 2020 financial statements are as below:

Insurance contract liabilities	
Refer to Notes 4H and 22 of the Financial Statements	
Significant audit matter	How the matter was addressed
<p>The company has significant insurance contract liabilities. Valuation of these liabilities is highly judgmental and requires several 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>The audit procedures in this area included, among others:</p> <ul style="list-style-type: none">• Obtaining an understanding of the processes, systems and applications used in the claims handling and reserve setting processes of the Company as well as testing the design, implementation, and operating effectiveness of the key controls around the same processes.• Performing a search for any unrecorded insurance contract liabilities at the end of the year by evaluating claims received and claims paid after 31 December 2020.• Assessing reasonableness of claims reserves by obtaining samples of claims reserves and comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss assessors.• Evaluating the data used in determination of insurance contract liabilities by comparing the data in the actuarial report to the data recorded in the general ledger for consistency.• Using our actuarial specialists to evaluate the reserving methodology including the liability adequacy test, judgements and assumptions applied using the data presented to the actuarial team by the Company's actuaries.• Evaluating the adequacy of financial statements disclosures, including disclosures of key assumptions and judgements.

The audit and risk committee is satisfied that KPMG 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 2020 are set out in the financial statements included in this report.

Going Concern

The Directors have made an assessment of the ability of the Company to continue as a going concern and have sufficient reason to believe that the Company has adequate resources to continue operating as a going concern for at least the next 12 months from the date of this statement.

We are always in it with you.



Due to the prevailing situation, and in order to keep everyone safe, our online channels are open, and the personnel below remain available for you.



LIBERTY LIFE ASSURANCE



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BDM

Edison BYARUHANGA



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Bonnie PANDE



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CLAIMS HEALTH

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Eunia KAINEMBABAZI



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CLAIMS LIFE

Chris OBBO



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MEDICAL CARDS

Moses ONYANGO



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MEDICAL OVERSIGHT / ADVICE

Dr. Francis KASOZI



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AUTHORIZATIONS

Nevis MBEERA



0789 433 326

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PROVIDER QUERIES ON CLINICS, PHARMACIES, HOSPITALS AND LABORATORIES

Lillian ASEMO



0700 124 433

Mark KIZITO



0777 889 888

Risk Management and Control Report

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.

Davis Mugabi
Risk and Compliance Manager



Through our governance structures and processes we aim to anticipate, meet and exceed the requirements of the increasing regulation of our industry. We strive to conduct our business in a responsible manner from managing our environmental footprint to protecting clients' and employees' personal information. Ultimately our risk and conduct value driver goal is to manage our business in a safe, secure and profitable manner for the benefit of all stakeholders, build trust and enhance our reputation. Sadly the crisis caused by the COVID-19 pandemic know no boundaries and now, more than ever, we are called upon to support our stakeholders.

Capital management - 307%

(2019: 249%,) Increase 23%

The Company continues to exceed regulatory capital requirements. A further increase in our solvency capital adequacy ratio to 307% is at the upper end of our target and underpins our ability to fulfil our promises to policyholders and other stakeholders.

Regulatory fines and penalties

One regulatory finding by the IRA Uganda Target < 5
A total of 3 cases (2019: 4 cases) were considered by external dispute resolution bodies and the industry regulator. There was also 1 finding against Liberty from the regulatory inspection of our Company which has been subsequently resolved. We improved our upheld rate (the percentage of client complaints upheld) to below the industry average.

Addressing Material Matters

Our material matters are those matters that have the potential to significantly impact our ability to create long term, sustainable value for our stakeholders. During the year, the Company identified these through consideration of the top risks, which are elevated, material risks that could emerge within a short time frame and those that are currently top of mind among our board of directors and executive management. The material matters are as below:

Changes in the operating environment as a result of the changing regulatory landscape

Inadequate cybersecurity and resilience

Data risk

Substantial complexity due to inadequate legacy management and an inadequate control environment for new initiatives

Inadequate management of Liberty's technology infrastructure to ensure that it meets performance expectations

Regulatory change management

Liberty operates in a complex and evolving regulatory landscape. The developing regulations in this environment are driven by international trends and Ugandan regulatory goals for consumer protection, prudential regulation and tax reform, and Ugandan political goals (including economic transformation and financial inclusion). These regulations must be considered and prepared for while complying with a myriad of existing legislation. Considerable effort is invested in anticipating and understanding emerging and developing regulation. This is necessary to ensure that risks and opportunities, which may impact on the existing operating environment, are identified and adequately prepared for.

The management of regulation at Liberty occurs through a robust regulatory programme review and oversight process, jointly administered by the group risk and compliance functions. This process identifies and prioritises pending requirements and develops the appropriate organisational response/s after assessing the proximity and potential impacts, as well as both positive and negative strategic considerations.

Liberty is currently focusing on programmes to deliver the requirements of the anti-money laundering Act, and the implementation of the international financial reporting standard for insurance (IFRS 17), as well as several smaller projects.

Cyber security and resilience

Against the backdrop of an increasingly complex and evolving cyber and information security risk landscape, significant progress was made during 2020 with implementing remediation controls. Activities were balanced across capability, governance, people, process and technology to improve the group's ability to detect and respond to potential threats. Liberty is impacted by the global cybersecurity skills shortage. To address this wider skills shortage, Liberty embarked on multiple innovative initiatives in partnership with Standard Bank Group. Liberty staff became part of the group cybersecurity academy, designed to attract staff into the cybersecurity realm, moving potential candidates through a carefully planned

curriculum. Successful delegates were taken through a rapid pace of learning and prompted to solve real life cybersecurity challenges.

Our security posture continued to improve, and great progress was made.

Enterprise IT and data governance

Enterprise IT and data governance at Liberty continued to receive focused and appropriate consideration from the board and executive leadership. During 2020 the group IT committee met each quarter, addressing all areas of accountability envisioned for the board by King IV™.

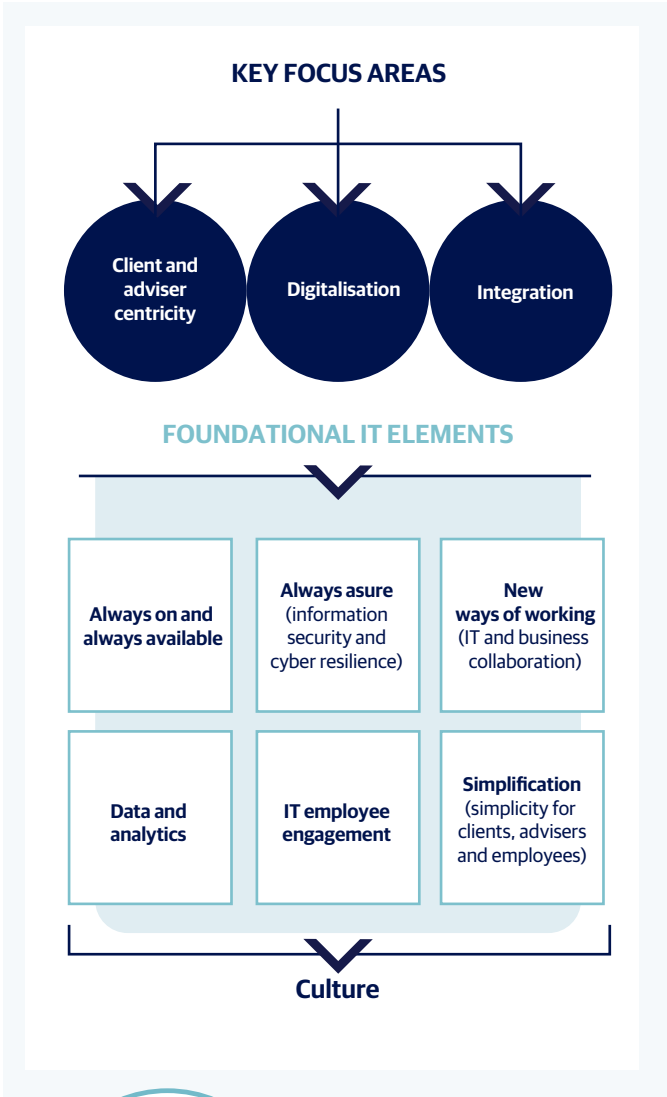
The results of an independent review of Liberty's IT domains, conducted in the third quarter of 2020, confirmed Liberty's IT governance capability maturity level. The positive feedback received in this report reflected good progress in 2020. The report also noted improved traction across each of the IT governance domains. The roadmap for Liberty's enterprisewide IT governance will continue over the next 18 to 24 months using the output of this report.

The areas of enterprise IT governance, strategic alignment, value delivery, risk management, resource management and performance measurement were assessed and continued to evolve. The group IT governance framework was revised to include IT and broader operational design changes.

The new operating model for IT has resulted in greater collaboration and synthesis across the group and accelerated overall delivery traction. The group adopted a roadmap for transforming from a service organisation to an Agile organisation that will mature into a digital organisation.

Liberty's IT regulatory universe continued to be closely monitored and we continued to monitor progress with the cyber crime trends and the implementation of general data protection regulation.

Liberty's IT strategy was revisited and refreshed to closely align with the group's key focus areas. Group IT identified three focus areas supported by six foundational elements:



The primary objective of this strategy is to ensure that Liberty is future ready. Future readiness implies Liberty is innovative and operates at a low cost, provides great client experience, is modular and agile, uses data as a strategic asset and is ecosystems ready. The new operating model for IT has resulted in greater collaboration and synthesis across the group and accelerated overall delivery traction. The Company adopted a roadmap for transforming from a service organisation to an Agile organisation that will mature into a digital organisation.

Group IT relationships with stakeholders continued to receive focus. Each major area of the Liberty business has an IT executive responsible for maintaining relationships with that business unit. Value continued to be delivered to the business units and the IT operating model was modified to include a technology value office. The rollout of a digital cloud solution providing staff with instant messaging, point-to-point video, screen-sharing, screen control, multiparty audio conferencing, mobility and chat was concluded. To enable users to enjoy mobility and collaboration from any location, Microsoft Office 365 was implemented.

Liberty's Top Risk

The top risks are identified through a **top-down identification and assessment process** that enables us to detect those issues that could prevent our business from achieving its objectives. We also **evaluate discussions held by the board and its committees, assess the outcomes of our strategy session, and consider legitimate concerns of our stakeholders** to ensure we have a holistic view of the matters most material to our business. These were as summarised in the next.

Risk	Likelihood	Impact	Key Preventive controls
Strategic and business risk possibiity that Liberty will not meet its targets/ achieve its strategies such as revenue, new business and profitability due to various factors mainly the socio-economic impact of COVID-19	High	High	<ul style="list-style-type: none"> Diversification into various new products and distribution channels so as to grow market share Social media marketing campaigns such as thought leadership, branding, sales and distribution.
Fraud and Insurance risk Uncertainty on the long term impact of the COVID-19 pandemic on staff, customers and service providers thus risk of fraudulent activities such as fraudulent claims applications and forged documentation	Medium	High	<ul style="list-style-type: none"> Continuous improvement of the internal control environment such as through regular spot checks, maker checker controls , formulation of policies and training of staff.
People risk Potential negative impact on the staff well being such as health, mental and emotional impact due to the challenges of the new ways of working as a result of the COVID-19 pandemic	Medium	Medium	<ul style="list-style-type: none"> Roll out of enhanced employee wellness programs Contingency planning for key roles/ employees, and creating awareness on the evolution of work from building blocks to new digital constructs
Information and Cyber Security risk Possibility of information leaks/ loss and strain on the IT infrastructure due to uncontrolled remote working structures	Medium	High	<ul style="list-style-type: none"> Cyber security awareness training for all staff Roll out of enhanced IT and data security measures such as end point encryption and patching.
Market Risk New developments in the market especially the slowdown of economic activity, changes in interest rates and Foreign exchange rates have potential on the quality of Liberty's investment portfolio .	Low	Low	<ul style="list-style-type: none"> Continuos monitoring of the market rates movement and performance of monthly revaluation to ascertain materiality of the risk. Stress testing on liquid assets to ascertain the Company's ability maintain a profitable investment portfolio.
Credit Risk Risk resulting from clients' failure to pay their insurance premiums thus potential loss to the company or failure to meet contractual obligations.	Low	Low	<ul style="list-style-type: none"> Bi-weekly Credit Control meetings to monitor the premium debtors position. Use of alternative means of collections such as a debt collector where management has been unsuccessful in recovering such debts.

Liberty's Risk preferences

The Company's risk preferences are majorly classified into risks that are actively sought and those that are not actively sought. Risks that are actively sought as a result of being in the business of underwriting and managing risks are viewed as value enhancing risks which those that are not actively sought but arise as a result of being in business are managed to an acceptable level to protect value.

Risk strategy

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

Risk environment

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

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

- **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

A risk appetite statement is a high-level statement that considers broadly the level of risks that management deems acceptable in achieving organizational objectives. It refers to the nature and level of risk an organisation is willing to accept in the pursuance of its objectives.

Risk appetite is quantified in terms of risk tolerance limits, which act as boundaries for decision-making. For each key decision, the question to ask is, "is this within our risk appetite? Tolerance limits are metrics that show the level of risk the organization is willing to accept/tolerate.

An organization's risk appetite is influenced by several factors, including expected returns, statutory/regulatory influence, stakeholder influence, etc and it must be approved by the Board.

Defining a risk appetite and monitoring to ensure that it is complied with, minimizes surprises/unexpected losses

At Liberty Life Assurance Uganda Limited, setting the level of risk appetite is based on stakeholder input and driven by the requirement to deliver high levels of financial security for clients through appropriate maintenance of the Company's ongoing solvency. The dual and, at times, conflicting objectives of creating shareholders' equity and minimising risks are controlled through these limits.

As part of formulating our quantitative risk appetite statement, the following three dimensions are considered appropriate for the purposes of measuring risk:

**Regulatory capital
coverage**

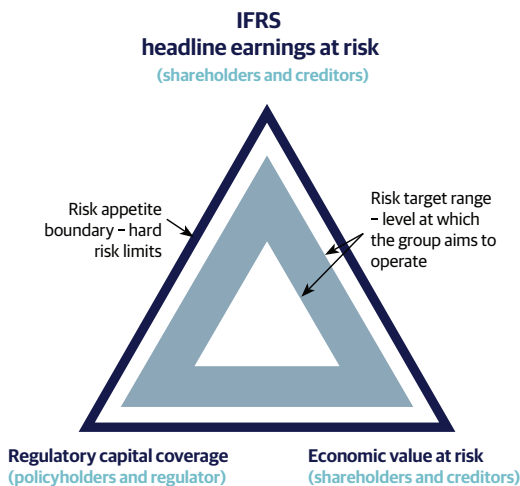
**Economic value-
at-risk**

Earnings-at-risk

Regulatory capital coverage: Meeting regulatory capital requirements remains an important consideration for the business as it is the primary metric used in communicating financial strength. Management has found this to be particularly true both in attracting prospective clients and in demonstrating our ability to meet policyholder obligations. Further to this, it is assumed that LLAU would like to avoid regulatory intervention as well as the reputational damage that will accompany it.

Earnings-at-risk: this includes all risks to earnings and hence the risk metric is useful for monitoring and managing each risk type at different levels of the business and in preventing excessive risk-taking that could result in large earnings losses. Inclusion of this dimension will not place unnecessary constraints on the business in its pursuit of strategic opportunities but will still enable the business to monitor its risk exposures and prevent large exposures to risks that are not in line with the strategy.

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



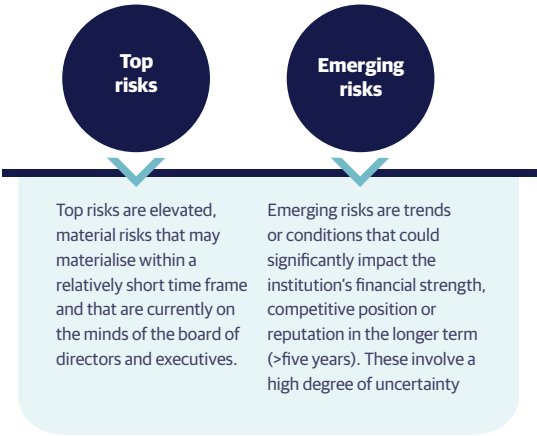
The Company's qualitative risk appetite statement provides boundaries on what is acceptable and unacceptable in pursuit of business goals as it relates to conduct and reputation.

Risk identification, assessment, and measurement

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

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

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



Risk management

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

The board is ultimately accountable for 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 Liberty is willing to take has been set by the Board, and 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 the 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.



Risk culture

The Company aims to build a sound infrastructure to manage human errors and fraud by building a risk management culture in the entire entity. 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.

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

The Board delegates the responsibility of compliance management and monitors this through the compliance control function. Oversight of compliance risk management is delegated to the audit and risk committee, which approves the compliance mandate.

The risk and compliance manager provides a quarterly report on the status of the compliance risk management within the Company and significant areas of non-compliance as well as feedback on significant interactions with the regulators.

During the year 2020, Liberty Life Assurance Uganda Limited was compliant in all material aspects with the Companies Act, 2012 Laws of Uganda and the Insurance Act, 2017 Laws of Uganda.

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 ensure 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 mitigate such risks adequately and effectively. 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.



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Sustainability Report

While our progress was constrained by the COVID-19 pandemic, our strategy has not changed. In executing our strategy, we have replaced the sequence of change initiatives implied by the three-horizon model with a parallel model using the concepts of Renovate, Evolve and Transcend. COVID-19 demanded rapid responses for business sustainability. It also helped us identify and prioritise key initiatives over the short, medium, and long term that we need to deliver in order to achieve our vision for the Liberty of the future.

About this report

The 2020 Liberty Sustainability Report provides a holistic assessment of the Company's sustainability performance for the year ended 31 December 2020. The report has been developed to show how Liberty seeks to play a meaningful role in society by strengthening communities, understanding and managing our environmental impacts and contributing to the economies in which we operate.

We strive to maximise our positive social, economic, and environmental (SEE) impacts while mitigating and managing potential negative impacts. We aspire to deliver shared value by focusing on issues that matter to our employees, financial advisers, clients, stakeholders, and the broader community.

Our Sustainability Strategy

At Liberty, sustainability is an integral part of our business strategy. We have adopted the SEE (Social Economic and Environmental) value proposition and considered the Global Reporting Initiative's (GRI) reporting principles and material topics relevant to our business when writing this report. Our SEE strategy, which focuses on the value we create for society, is guided by the UN SDGs – a blueprint for peace and prosperity for people and the planet. The SDGs are an urgent call to action by all countries developed and developing to form a global partnership.



As an urgent call for countries, both developed and developing, the SDGs aim to create a global partnership where the focus is on ending poverty, reducing inequality, improving education and health, preserving our environment, and tackling climate change. The SDGs provide a roadmap for a shared global vision for the private sector and civil society, one that can be incorporated into national development plans and strategies.



Managing Value Creation

Liberty aims to create, manage societal value, and preserve the natural capital our business depends on. We understand that our success is linked to the prosperity and wellbeing of our society. Therefore, we focus on creating value for society by living our purpose of improving people's lives by enabling their financial freedom, along with our brand promise of being "In it with you".

Shared value means that as a responsible corporate citizen we leverage our resources to create solutions that will benefit society and build a more prosperous future for all. We nurture our relationships and skilfully navigate risks to deliver products that help our clients prepare for life's traumatic events and increase their wealth. At the same time, the value we create for our clients must benefit other stakeholder groups.

Our approach focuses on the value that we create, and SEE issues create an opportunity for growth, innovation, and differentiation for our business.

Ending poverty goes hand in hand with strategies to improve health, wellbeing, and education, reduce inequalities and spur economic growth. This is encapsulated in the UN SDGs which outline the vision for a more prosperous and peaceful future for people and the planet and guides our SEE strategy.

Shared value aims to identify and expand the integration between societal and economic progress. In order for us to achieve this, we identified seven SEE impact material matters with the potential to substantially impact our ability to create value for our stakeholders.



Supporting the physical, emotional, social, and financial wellbeing of our employees, clients, and society throughout the COVID-19 pandemic



Enabling financial freedom, inclusion, and access to financial services



Promoting inclusive economic growth through quality education



Responding to stakeholder expectations, with a focus on ESG principles and climate change



Managing and protecting our physical environment as well as the health and safety of our employees



Funding national infrastructure development and the transition to a green, low-carbon economy



Contributing to national economic and social transformation

Our SEE material matters	Management actions
Supporting the physical, emotional, social, and financial wellbeing of our employees, clients and society throughout the COVID-19 pandemic	<p>COVID-19 significantly impacted the world on a socio-economic level, with no one being spared the effects of the pandemic. At Liberty, we strived to protect our employees, support government actions, and serve our clients and advisers, while also supporting them throughout the crisis.</p> <p>We developed and implemented several programmes to motivate and support our employees during the year. Furthermore, we assisted our clients with policies that helped them mitigate the traumatic effects of the pandemic, and contributed towards broader society through donations, employee volunteerism and other forms of relief measures.</p> <p>For more information, refer to our COVID-19 response on pages 34.</p>
Enabling financial freedom, inclusion, and access to financial services	<p>As a responsible corporate citizen, we recognise the importance of leading the way in building a responsible financial services sector and thus enabling sustainable economic growth. We support economic inclusion and significant transformation by implementing several initiatives relating to, among others, employment equity, financial literacy and enterprise and supplier development (ESD).</p>
Promoting inclusive economic growth through quality education	<p>We believe that education is key to fostering meaningful economic development. We are therefore dedicated to investing in educational initiatives that will empower our communities, and thus enable sustainable inclusion and participation in the economy.</p> <p>We have prioritised three areas where we believe we can positively contribute:</p> <ul style="list-style-type: none"> • Increasing employment through faster economic growth • Improving the quality of education, skills development, and innovation • Partnering to build the capability of educational institutions
Responding to stakeholder expectations, with a focus on ESG principles and climate change	<p>We have an active approach to stakeholder engagement and continue to consider their needs and expectations to ensure we align our product offerings and services to address their concerns. Our stakeholders expect us to be leaders in matters of ESG, and with our commitment to excellent governance, quality education, environmental sustainability, financial and economic inclusion, we believe we are positively executing our strategy and creating long-term value.</p>
Managing and protecting our physical environment, as well as the health and safety of our employees	<p>We remain cognisant of our impact on the environment as well as our contribution to climate change, and we are committed to responsibly and transparently stewarding the natural resources that our business depends on. We therefore track specific targets to ensure we reduce our negative impacts.</p> <p>We are committed to protecting the health and safety of our employees and clients. While the COVID-19 pandemic and resultant lockdown meant that the majority of these stakeholders worked from home, we continued to ensure that we cultivated an environment that is conducive to excellent health and safety practices.</p>
Funding national infrastructure development and transitioning to a green, low-carbon economy	<p>We understand that we need to adapt to the constantly changing environment in which we operate. We therefore continue to invest significantly in innovation, technology, and infrastructure to prepare our business for the future, thereby ensuring we can create value for our stakeholders in the long term.</p> <p>This commitment is further supported by our centre for innovation and cross-collaboration through which we build a culture of innovation across our business.</p> <p>We constantly find ways to leverage technological advancements to create solutions that address client needs and business challenges</p>
Contributing to national economic and social transformation	<p>At Liberty, we embrace diversity and actively develop a culture of inclusion among our employees. Furthermore, we aim to contribute to the transformation of the financial sector to reflect the demographics of our country more accurately. We seek to play a meaningful role in society by strengthening our broader communities and contributing to the economy while creating sustainable value for our stakeholders. We support Uganda's National Development Plan to eliminate poverty and reduce inequality and have aligned our strategic SEE objectives with those of Uganda Vision 2040.</p>

Guided by our SEE impact material matters, Liberty has prioritised seven SDGs we consider could have the most impact on the communities in which we operate. We believe that in doing so, we can meaningfully contribute to transformation and equality while creating prosperous futures for our employees, clients, shareholders, stakeholders, and communities.



We measure our contribution to our selected SDGs through, among others:



By measuring our progress, we create value for our stakeholders:



How we create societal value and preserve our natural capital

Through various programmes focusing on education for young learners, university students, employees, and consumers, we contribute towards skills development, and financial literacy enabling beneficiaries to improve their life situations, creating economic and societal inclusion as a whole, and working towards financial freedom.

Our employees add value through our volunteerism programme and, on a personal level, donating their time or money, or sharing their skills and knowledge where they can.

We engage with our stakeholders to understand their needs, support them during important and life-changing events, and provide them with knowledge on how to improve their financial situation.

Our transformation programme encourages diversity, inclusion, and gender equality, with a focus on human rights and an emphasis on an ethical culture.

Through our resource management programmes, we focus on our water and energy use and waste management, continuously finding innovative ways to reduce our consumption and contribute towards a more sustainable environment.

Our climate change policies aim to make meaningful changes that enable us to contribute towards a climate-resilient economy and create transparency in the reporting and mitigation of our risks and impacts.

Liberty invests in ESG initiatives that will benefit both communities and the environment, creating a more prosperous and Government peaceful future for all.



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your children's education
is, **so protect it with
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saving amount of
UGX 50,000

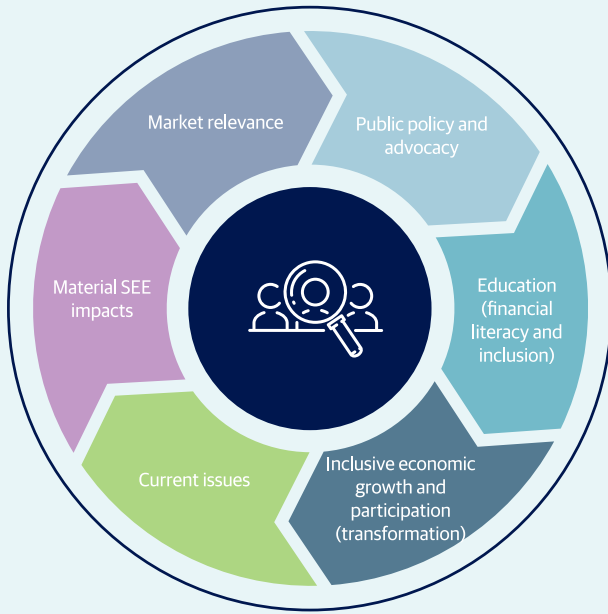
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Proactive engagement areas (PEAs)

In line with our strategy, we engage with our stakeholders in six PEAs. In identifying these fields, we considered context, objectives, stakeholder groups and action plans, including timelines and performance measures.

- Market relevance
- Public policy and advocacy
- Education (financial literacy and inclusion)
- Inclusive economic growth and participation (transformation)
- Current issues
- Material SEE impacts

In line with our PEAs, we facilitated and participated in national, regional, and global dialogues concerning the socio-economic and political impact of COVID-19. We continued to ensure that we received regular insights and updates on business's response to COVID-19.

Engagements with our key stakeholders in the health industry were focused on disruptions brought on by COVID-19, and what to expect in 2021. We held the 2021 Liberty Health launch virtually in October 2020, which was attended by brokers and clients from across our markets, enabling us to reposition the business in the minds of key stakeholders across the continent. In planning for 2021, we have engaged with key stakeholders in this sector to get their views on our current product and service offerings, with these insights allowing us to revamp the Liberty Health business going forward.

Priorities and concerns of clients and advisers

Clients

- Accessibility and assistance during the COVID-19 pandemic
- Financial strength
- Responsible and objective advice
- Products that meet their needs
- Quality service
- Pricing and fee transparency
- Investment performance



Clients and advisers

Our financial advisers are central to our business, and it is important they remain up to date on any socio-economic and political developments that could impact our clients.

We make it a point to collaborate with both tied and independent financial advisers to share our analyses on current events, including the State of the Nation Address, national budget speeches and the general impact of COVID-19 on the economy. We also encourage our financial advisers to regularly participate in digital dialogues with independent analysts and commentators, and we periodically share information on key subject matters with them. We continue to engage directly with our clients through several channels, including our call centre that deals with complaints, service issues, product sales and advice.

Advisers

- Support during the COVID-19 pandemic
- Quality service and reporting
- Reduced administrative burden
- Support with product information
- Enabling tools
- Investment performance



Employees

As a critical stakeholder, our employees are vital to the sustainability of our business. Through a variety of engagements, we gain insight into their needs and empower them to execute their roles confidently and successfully.

We increased our engagement with employees during COVID-19 to ensure they were kept informed about developments. These engagements also served to support them on both professional and personal levels during the crisis. We used a variety of tools and platforms, aiming to meet their psycho-social needs during the constantly evolving environment. The wellbeing of our employees was paramount, and management made every effort to ensure employees were kept safe and motivated.

All health and safety protocols were fully observed in compliance with regulations and government mandates, and employees were able to work remotely where possible. We conducted frequent training and, where necessary, information regarding COVID-19 guidelines was disseminated and explained.

With a holistic view of wellbeing, our betterME employee wellness programme is based on five pillars, each with its own drivers. We encouraged all employees to participate in the programme to promote personal development, a healthy body, emotional wellbeing, social development, and financial freedom.

Priorities and concerns of employees

- Health and safety during the COVID-19 pandemic
- Working from home
- Job security
- Gender equality
- Transformation
- Career progression
- Skills development
- Fair remuneration
- Ethical culture



Regulators

Our engagements with Uganda's main Insurance industry regulators, the Insurance Regulatory Authority of Uganda (IRA) continued in 2020.

Our senior management team continued to represent the Company at various meetings with the IRA that were held virtually. To monitor the effects of the pandemic, IRA requested monthly reports on claims, premiums, quarterly insurance returns for monitoring liquidity risk, insurance risk, market risk and operational risk data, effective from March 2020.

We successfully engaged with other regulatory authorities during the year, including the Bank of Uganda, Uganda Revenue Authority, National Social Security Fund and Financial Intelligence Authority.

The Company further continued to engage the Insurance Industry bodies mainly Uganda Insurers Association and Insurance Training College on key areas affecting the sector.

We held a number of engagements with IRA relating to client complaints. We are pleased that discussions were successful and to the benefit of clients.

Priorities and concerns of regulators

- Fair treatment of clients
- Capital adequacy
- Employment equity in Uganda
- Skills development
- Compliance
- Cybercrime and the upgrading of information systems
- Protecting personal information
- Broader access to financial services
- Unit trust fund administrative cost



Shareholders

As a critical stakeholder group, shareholders need to be well informed on the details of our operational and financial performance to achieve their investment goals.

Our smooth transition to digital interaction in 2020 paved the way for fruitful engagement and interaction, culminating in a successful virtual annual general meeting held in March 2020. We remain committed to consistent engagement with this stakeholder group, with a view to expanding our strategy and key initiatives to align their expectations with our goals.

Priorities and concerns of shareholders

- Performance during and beyond the COVID-19 pandemic
- Adequacy of the COVID-19 reserve
- Concentration of Investment assets in shareholder funds
- Dividends
- Value of new business and earnings
- Delivery of strategy
- Sufficient capital
- Investment performance
- Governance, ethics, market conduct and internal controls
- ESG issues and performance

Decent work and economic growth

Living with dignity is a fundamental human right

Our purpose of improving people's lives by making their financial freedom possible fundamentally captures the ethos of SDG 8, which is to promote inclusive and sustainable economic growth, and gainful employment.

Our employees have the necessary capacity, skills, and expertise to enable us to attain our strategic goals. We therefore aim to create an environment where our employees feel empowered and motivated.

We want them to engage with our culture of excellence, humanity, and loyalty so we can meet the needs of our communities, clients, and other stakeholders.

We are committed to meaningful transformation through our various initiatives and programmes relating to employment equity, financial literacy, enterprise, and supplier development (ESD).

Liberty's contribution to decent work and economic growth in 2020

2,891,863 lives
covered under credit life
policies in force in Uganda
(2019: 1,756,141 Lives)

Ushs3.2 billion
paid in death and
disability claims
(2019: Ushs3.76 Billion)

34
full-time employees
(2019: 33)

59 tied advisers
who only distribute
Liberty's products and
advise our clients
(2019: 35)

Ushs2.94
billion (2019:
Ushs2.97 billion) paid
in employee costs

Ushs2.94
billion (2019:
Ushs2.97 billion) paid
in employee costs

Ushs430 million
of assets
under management
(2019: Ush 300 million)

3% voluntary
employee
turnover rate
(2019: 15%)

Ushs2.9 billion paid in taxes
(2019: Ushs2.6billion)

Employee experience (EE)

We embed the employee experience through continuous conversations, covering topics such as our employee value proposition, culture, conduct, ethics, and trust.

Our EE Plan

We began the process of developing our 2020/21 EE Plan at the beginning of 2020. We are committed to inclusion diversity and, in the spirit of this, we sought our stakeholders' opinions as part of the process.

Our EE Plan sets out Liberty's commitment to EE targets as well as the actions we will take to prevent any discriminatory practices. We created interactive campaigns requesting employees' views on important topics including, among others, persons with disabilities, their working environment, the human capital minimum standards and guidelines, and inclusivity. Our collaborative efforts included engaging in dialogue around the concerns of employees, which we enacted once we received the results of the surveys.

Talent management and succession

Liberty needs to proactively engage, attract, and retain the best talent to fulfil our current and future business

needs. We create long-term value by ensuring stakeholder satisfaction, cost efficiencies, overall culture management and meaningful transformation. Our talent management and succession planning are therefore an integrated, long-term proactive pursuit, in line with our strategy and human capital objectives.

In 2020, we focused on talent management and succession planning from a foundational level. As part of our succession planning processes, we aim to proactively develop a strong talent pool of future leaders and critical specialists, and to provide them with opportunities to develop the necessary skills needed to lead the organisation into the future. Our succession model will pinpoint talent risks and gaps, so that we can continually improve our talent pipeline and succession planning process.

Going forward, as we navigate our way into the post COVID-19 "evolution of work" we will identify new skills and focus on equipping our current employees to grow and evolve.

Our employee experiences

Key to our success, our employees inspire us to deliver the right solutions for our clients. With 34 full-time employees and over 50 financial advisers, we truly believe in shaping a value-creating partnership with our people. Investing in our human capital is vital to the sustainability of our business. We ensure that our employees know how they individually contribute to our vision and how this aligns with our purpose of improving people's lives by making their financial freedom possible.

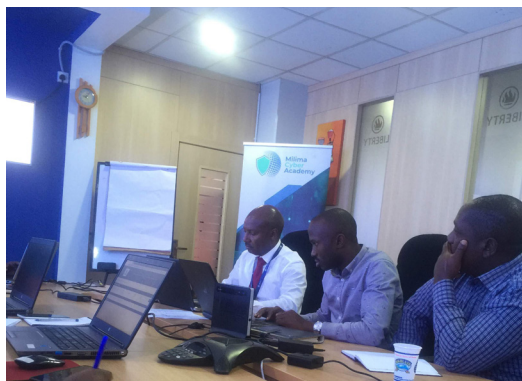
We have an employee experience strategy in place, along with a powerful culture programme, to highlight and improve the areas that matter most to our employees.

With a focus on optimising processes, systems, and human touchpoints, we aim to encourage excellence while facilitating skills development and ensuring our employees enjoy their time with Liberty.

To ensure a unified human experience, we focus on developing, growing, and retaining our own talent, and also attracting new talent to Liberty. The right people are central to our success, and by understanding our employees' capabilities we can appropriately match their talent to the correct roles, allowing them to prosper in the long term. While the retention of key individuals and finding critical skills can be a challenge, the accelerated move towards remote working has opened up access to a global talent pool, and we expect to meet our talent and business demands continuously and successfully.

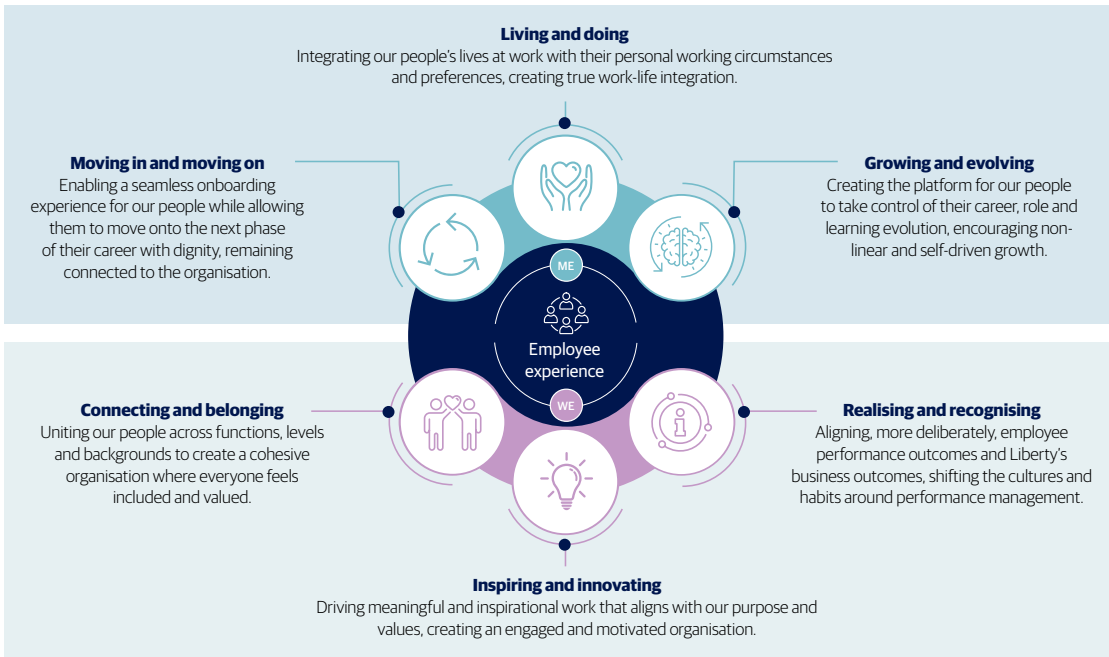
We believe that for us all to thrive, we need to be doing our best work and living our best lives. To realise this, we use our employee experience vision and framework as the lens through which we create a culture where our employees can succeed by aligning their purpose to the Liberty purpose. Our employee experience framework continues to evolve and is based on the "moments that matter" to our employees. It incorporates six pillars that guide us in retaining our great people and helping them in both their personal and professional life journeys.

In 2020, we integrated the six pillars of the employee experience framework, removing silos between functions and incorporating project plans and deliverables, while ensuring that the Liberty culture continues to drive our way of working. We want our people to feel deeply connected with both our purpose and our clients, and to be empowered to fulfil their potential while being recognised for delivering against our strategic objectives.



Liberty Staff attending a cyber security training

Six pillars of the employee experience framework



Culture and change - cultivating a growth mindset

On our journey to define our leadership principles and create a culture of adaptability, excellence, and creativity, we partnered with the NeuroLeadership Institute to leverage neuroscience to create more adaptive, resilient, and inclusive leaders within Liberty.

We defined our three most important concepts – the future we want to build, caring for our people and seeing the right results. By refining these concepts, we adopted the following leadership principles:

Future:  **Imagine it's possible.**

People:  **Act with humanity.**

Results:  **Do what matters.**

Our growth mindset programme enables Liberty's influencers (Early Adopters) to challenge and shift their own mindsets through continuous conversations, which ultimately shift beliefs, habits, and behaviour which, in turn, impacts the mindsets of others. We want Liberty to be a value-driven organisation, with our people at the heart of what we do.

Constantly monitoring our progress

We conducted a number of check-in surveys throughout 2020 to determine our employees' views on whether Liberty met their needs during the year. We were pleased with the results, and scores increased significantly from 2018 to 2020.

Most of our employees recommend Liberty as a good place to work, while commending their colleagues on internal collaboration and having positive working relationships. While Liberty employees feel they can be themselves at work, they acknowledge that working from home means that work-life balance needs to be improved.

We also conducted surveys on the success of working remotely, with 66% of employees engaging and participating. It is important for Liberty to remain aware of our employees' wellbeing as well as how they are finding their working environment and any type of technological issues they may be facing. This allows us to address these issues as soon as possible and ensure that our employees are as comfortable and productive as possible while working from home.

Benefits provided to full-time employees

Medical Cover

Disability cover

21 days of annual leave

Parental leave

Pension

Life insurance

Educational Scholarships

We continue to cultivate an environment where our employees can prosper through fair, performance-related remuneration, career development opportunities, comprehensive skills training and education, and the creation of an inclusive work environment. Remuneration packages are structured according to employees' functions and skills and includes an appropriate balance between guaranteed and variable pay. All employees have some level of variable pay as part of their compensation. The primary role of variable pay is to drive performance within risk appetite, retain key employees and ensure alignment between executives, shareholders, and clients.

Employee cost analysis

**75%
Salaries**
(2019: 76%)

**2%
Medical aid
contributions**
(2019: 2%)

**14%
Staff and
management
incentive schemes**
(2019: 15%)

**7%
Retirement
contributions**
(2019: 7%)

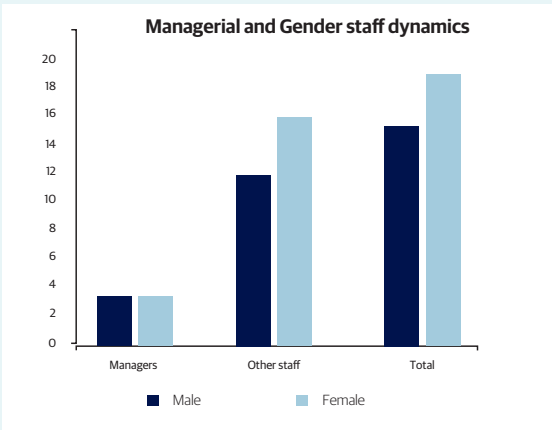
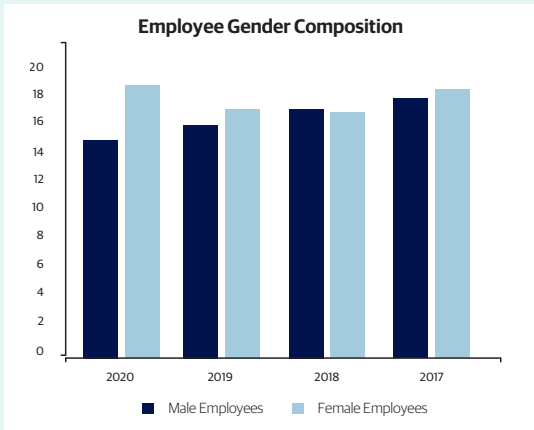
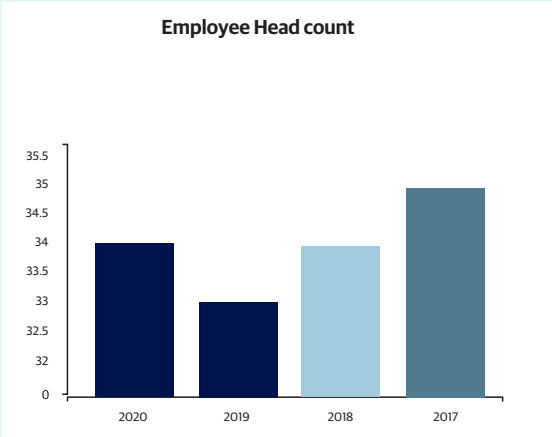
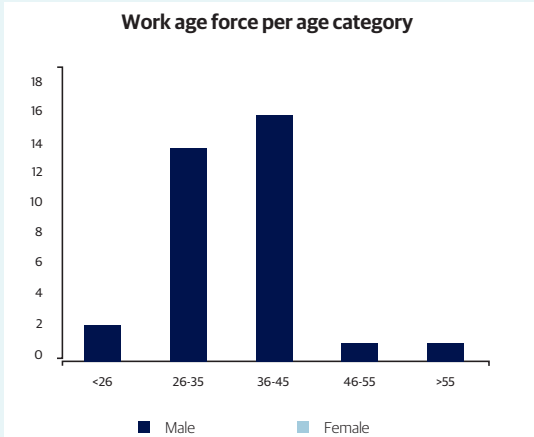
Total training spends 2020 Ushs 5.8 million (2019: Ushs45.7 million)



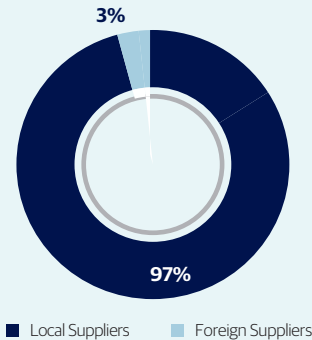
Liberty staff undertaking a fire safety drill at the office premises

Staff Diversity

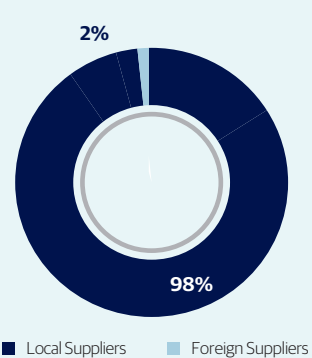
Liberty aims to have a diverse and balanced workforce that reflects our societal norms. Our total salaried headcount increased to 34 as at 31 December 2020 (2019: 33) of which 56% were female. We also had 8 temporary staff during the year of which 25% were female. The total number of commission remunerated agents was 59 and increased by 31% compared to 45 in 2019. Female employees also held 50% of the Managerial roles in 2020. (2019: 53%)



2019 % Spend on Local Suppliers Vs Foreign Suppliers



2020 % Spend on Local Suppliers Vs Foreign Suppliers



Promoting greater economic inclusion through transformation

Our transformation efforts focus on gender equality, diversity, and inclusion in the workplace, with an acute focus on women and persons with disabilities. We strive for gender balance at board and senior management levels. We comply with the Employment Equity Act, of 2006. Our commitment also aligns with the United Nations Universal Declaration of Human Rights. We aim to protect, promote, and preserve the sanctity of all human rights and ensure that engagements with our stakeholders are guided by these principles

People are critical to our success, and we continue to invest in diverse human capital to ensure the sustainability of our business. We have a holistic approach to transformation, which we continue to embed and integrate into how we operate. Furthermore, our approach runs across our stakeholder value chain, and considers workforce diversification, intermediary and supplier network development, providing opportunities for all traditional markets to access our products as well as investment in the communities in which we operate.

We understand the value of diversity and believe an inclusive approach will drive superior and sustainable business results. It is important to our objectives in the following ways:

Economic growth

We aim to contribute towards a high-growth environment to help address the high unemployment rate in Uganda, including promoting and sustaining transformation within the financial services industry.

Social equality

To create a more equal and inclusive society, wealth needs to be distributed more evenly. It helps to facilitate social equality and increase cohesion. We embrace diversity and actively develop a culture of inclusion through:

Collaboration

Our transformation goals are promoted through collaboration and conversation between our leadership and employment equity and skills development (EESD) forums.

Ongoing dialogue

We facilitate targeted conversations relating to EE, diversity, and inclusion.

Financial adviser transformation strategy

We aim to be the preferred financial services organisation for financial advisers, empowering them to create successful businesses and impactful, long-lasting relationships with their clients and Liberty.

To this end, we established a working group in 2020, mandated to develop and implement a strategy that will holistically guide the transformation of Liberty's financial advisers. The group prioritised and accelerated solutions to support client and adviser interactions, while rethinking our transformation objectives using novel approaches to leverage new and emerging needs. This is in line with our transformation strategy to create a diverse and inclusive workforce that represents the demographics of Uganda.

Empowering our people through learning and development

Liberty recognises the value of investing in skills development and training to empower our people. Our learning and development philosophy aims to build our internal capabilities so we can successfully execute our strategy. We ensure that our training programmes are relevant to the skills needed to deliver our purpose and seek opportunities to upskill or reskill our employees as we implement new technology solutions.

Contributing to economic growth

Liberty is committed to creating sustainable economic growth by maximising the financial value we create for our stakeholders and the communities we operate in. Liberty offers an extensive market leading range of products and services to help customers build and protect long-term wealth.

An overview of how our products create value

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.

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.

Risk products

Risk products, such as long-term insurance, provide financial protection in the wake of major life events, including critical illness, disability, retrenchment, or death. Risk cover provides value to clients by allowing them a measure of protection against the financial disadvantages that can occur when life throws something unwanted or unexpected their way. Clients can meet their obligations and, along with the promise of financial security, much of the burden of social spending is removed from government.

Investment products

With a varied portfolio of investment products, we help our clients save for themselves. While contributing to the capital required to grow the economy by saving for a personal goal (such as retirement), investors also personally benefit from the growth of their investment. Consumer spending supports the economy and helps ease the retirement burden on the government. For the period January to May

2020, our soma plan Education Saver product was invested in the STANLIB money market and for the period June to December 2020 it was invested in the ICEA Savings Fund. We created sustainable value for our clients by providing a return of 8% on amounts invested. The fund value was Ushs430 million as at end of December 2020 (2019-Ushs300 million).

Credit life products

Credit life products are a boon to clients who can raise finance with the assurance that their debt will be settled in the event of death or a permanent disability. These products facilitate lending by financial institutions and contribute to growing the economy.

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.

Mind my Money: Financial Education Program

Liberty created the Mind my Money program to give our clients access to personal financial plans and financial education workshops. It provides 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 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. The Program helps clients rewrite the story of their money by educating individuals on preparing financial plans.



Financial literacy coach teaching liberty clients on how to mind their money.



Liberty's business development managers, educating liberty clients on the mind my money program.

Health Products

Liberty provides comprehensive benefits for in-patient and out-patient treatment for multinationals, corporates, and SMEs in Uganda and across Africa at affordable rate. We provide healthcare solutions to approximately 13,580 lives, access to a wide network of contracted healthcare providers in Uganda, India and worldwide with quality customer care. Our depth of knowledge and expertise comes from providing comprehensive, flexible health care benefit and administration solutions to multinationals, corporates, and SMEs in Uganda and 27 countries across Africa.

Our depth of knowledge and expertise comes from **providing comprehensive, flexible health care benefit and administration solutions** to multinationals, corporates, and SMEs in Uganda and 27 countries across Africa.

Our Health Insurance
solution provides cover in Uganda,
Africa, India and **worldwide**

#WeAreInItWithYou

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Liberty Life Assurance Uganda LTD is regulated by the Insurance Regulatory Authority of Uganda.

Avoid unnerving experiences
at the hospital due to high bill settlement,
take up our convenient Medical Insurance
policy. **Get a quote today!**

#LibertyHasYourBack

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Liberty is regulated by the Insurance Regulatory Authority of Uganda

How we create value for our stakeholders

In this section we provide the reader with feedback on our performance and value created in 2020 for each of our primary 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. 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.

Value Added Statement for the year ended 31st December 2020

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 2020 is shown in the value-added statement below;

Value Added	2020 Ushs'000	% of wealth Created	2019 Ushs'000	% of wealth Created
Net insurance premium revenue	25,924,455	63.3%	28,660,012	67.7%
Commission income	268,259	0.7%	1,378,602	3.3%
Insurance claims recovered from re-insurers	12,879,421	31.4%	10,085,956	23.8%
Change in policyholder liabilities (net of reinsurance)	0	0.0%	858,305	2.0%
Investment income	1,860,095	4.5%	1,336,930	3.2%
Other Income	21,459.00	0.1%	-	0.0%
Total income	40,953,689	100%	42,319,805	100%
Less:				
Commission expense	(5,545,265)	14.9%	(5,235,168)	13.5%
Claims and policyholders' benefits	(17,439,663)	46.8%	(15,731,294)	40.7%
General marketing and administration expenses	(14,046,584)	37.7%	(17,409,372)	45.0%
Other expense	-	0.0%	(178,898)	0.5%
Change in policyholder liabilities (net of reinsurance)	(139,091)	0.4%	-	0.0%
Other finance costs	(80,629)	0.2%	(101,565)	0.3%
Total Expenses	-37,251,232	100%	-38,656,297	100%
Wealth created	3,702,457		3,663,508	
Employees	2,941,799	50%	2,976,570	53%
Government	2,943,124	50%	2,590,315	47%
Shareholders - (dividends)	0	0%	0	0%
Retentions to support future business growth	-2,182,466	-	-1,903,377	-
	3,702,457		3,663,508	



LIBERTY

A budget is telling your money where to go instead of wondering where it went. Join our free mind my money program www.libertymindmymoney.org

> **#MindMyMoney**

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LIBERTY
In it with you

What are **the COVID-19 cover** benefits for inpatient and outpatient customers?

1

We pay for symptomatic testing, Vitamin C, Vitamin D and Zinc as part of covid-19 care

Regulators

Enhancing our reputation and building trust

It is imperative that Uganda's financial services industry is well regulated and widely trusted, especially considering its role in contributing to economic growth. As a company, we focus on doing the right business the right way. For this reason, we aim to enhance our own and the industry's reputation to build a solid foundation of trust with our stakeholders.

Ethics, responsibility, and accountability are vital to our culture; and compliance with laws, regulations, codes, and standards applicable to our business is non-negotiable. Doing so allows us to build trust, enhance our reputation and reinforce our licence to operate, all of which lead to sustainable value creation.

We regularly engage with regulators, either directly or through industry bodies, and attend compliance management forums that enable us to identify and analyse emerging trends within the industry, along with any risks or opportunities that may arise ensuring that our business remains responsive and agile. With our combined risk and assurance departments assuring our internal controls, and external assurance providers supplying independent oversight, we ensure that compliance within Liberty remains a priority.

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. Our capital adequacy requirement for 2020 was 307% (2019:249%) which was above the regulatory minimum of 200%.

Our capital position remains strong under the new Risk based regulatory regime and we place great importance on constructive and effective relationships with our various regulators.

The Ministry of Finance, Planning and Economic Development, in consultation with the Insurance Regulatory Authority of Uganda as per Section 151, of the Insurance Act 2017, released seven regulations in June 2020. These

regulations were introduced aiming essentially at better protecting the interests of policyholders and introducing new prudential requirements for insurers, re-insurers, and HMO.

These regulations include:

- | |
|--|
| 1) Insurance (Insurance Training College) Regulations 2020 |
| 2) Insurance (Licensing and Governance) Regulations 2020 |
| 3) Insurance (Reinsurance) Regulations 2020 |
| 4) Insurance (Fees) Regulations 2020 |
| 5) Insurance (Mobile Insurance) Regulations 2020 |
| 6) Insurance (Index Contracts) Regulations 2020 |
| 7) Insurance (Capital Adequacy and Prudential Requirements) Regulations 2020 |

The Risk and Compliance function has conducted an impact assessment of these regulations and prioritised areas that need to be monitored for compliance.

We paid all our statutory obligations to Uganda Revenue Authority, National Social Security Fund, 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 Ushs2.9billion (2019-Ushs2.6 billion).

The Insurance Regulatory Authority of Uganda (Annual Membership and Deposit 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 2020 was Ushs624 million (2019 -Ushs623 million). The 2021 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.

Combatting financial crime

We have dedicated and sophisticated group forensics, anti-money laundering, compliance and risk department that prevents, detects, and investigates fraud, financial crime, misconduct, theft, and corruption. Our fraud risk management policy details the processes and procedures we follow to prevent, monitor, and report fraud and corruption, including whistleblowing and conflict of interest policies.

With a zero tolerance for fraud and corruption, we cultivate a culture of honesty and integrity within our organisation. All employees and agents of Liberty engage in fraud awareness and fraud risk training.

In 2020, we trained our 34 staff members on fraud awareness and they all successfully completed the fraud risk programme on our e-learning platform. Our group forensics department issues a monthly newsletter that highlights new trends and emerging risks. The newsletter also provides information to help protect the business against these risks.

Shareholders

Delivering sustainable returns

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.

Liberty's main lines of business that generate value are long-term insurance, health, and group risk insurance. We create additional value through the efficient management and investment of available capital (the financial capital held for regulatory requirements).

The nature of the long-term insurance business means that a high percentage of contracts extend well over 10 years, with variable terms that depend on events outside management control (such as policy lapses or the death of a client). Comprehensive valuation models that include forecasting of future long-term trends in investment markets and policyholder behaviour are therefore necessary to determine value and assess performance.

Liberty made a net profit of Ushs2.604 billion for 2020 compared with a net profit of Ushs2.638 billion in 2019. The shareholder investment portfolio (SIP) asset value was Ushs7.8 billion for the year compared to Ushs6.4 billion in 2019. Return on equity was 16% compared to 19% for 2019. The value of new business (VoNB) was at 4.5% compared to 0.2% in 2019.

More details on the financial performance of the Company are detailed in the Financial review on page 25.

The annual report and Annual General Meetings are also some of the ways in which contacts are maintained with the shareholders. The Board did not approve a dividend payment for the year 2020.

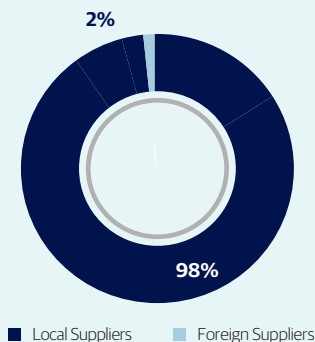
Value Created for Suppliers

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.

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. 98% of our procurements during the year were done with local suppliers. (2019- 97%)

2020 % Spend on Local Suppliers Vs Foreign Suppliers



Clients and advisers

At Liberty, we recognise the role our financial advisers play in connecting with and supporting our clients. To streamline the decisions our clients, have to make about their future, we ensure that our financial advisers' roles are not static, instead they are empowered by digital platforms and tools. A simplified product landscape and accelerated digitised processes ensure that our clients can be comfortable that we are able to meet their needs and expectations. Furthermore, we focus on understanding our clients' life journeys to ensure that our financial advisers offer them responsible and objective advice tailored to their situations.

We endeavour to create a holistic, relationship-based experience for our clients acknowledging the importance of the human experience. When giving advice, this is at the centre of our advice philosophy:

- **We meet our clients in their reality, wherever they are in their journey through life**
- **We recognise our clients' dreams, ensuring that we are able to guide them through major life events with compassion and humanity**
- **Our clients' goals are our objectives, and we empower them to achieve their ambitions**

Key Highlights

We currently have:

Liberty's Net promoter score (NPS) was 31% (2019:15%)

5,666 retail policies in force
(2019- 3,464 policies)

2.9 million lives covered by Liberty. (2019:1.2 million)

2,891,863 credit life policies in force.
(2019 - 1,756,141 credit life policies)

Liberty's retail products distributed through **>20 intermediaries, 59 agents and 14 corporate agents.**

13,580 lives covered under medical. (2019 - 15,082 lives)

Liberty was able to fulfil its promise to its 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 4.6billion in 2020 (Ushs5.6billion in 2019) of which Deposit administration claims were Ushs 91m in 2020 and 153 million in 2019.

To improve accessibility to our products and services, Liberty has an "Insurance's one stop shop" for Life, Health and General insurance solutions at our head office 99-101 Buganda Road. 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. Liberty has 3 agency offices in Kampala Africourts, Jinja 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 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 individual insurance, and individual 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 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. We have dedicated Business Development Managers that service these specific segments and also provide excellent customer service needed.

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 Stanbic bank. We also have bancassurance partnerships with Centenary Bank, Equity Bank, Housing Finance bank and Tropical bank in line with the bancassurance regulations.



Business development team engaging one of our key bancassurance partners



Liberty director signing a partnership agreement with Jumia Uganda

Being a Liberty client or adviser during COVID-19

COVID-19 proved to be a catalyst to accelerate our transformation strategy. We prioritised and accelerated solutions to support client and adviser interactions while rethinking our business objectives.

By mid-April, we began to offer clients relief from the expected economic and cash flow hardships. Our pre-lockdown efforts ensured that 90% of advisers, broker consultants and employees were enabled to operate remotely.

Before COVID-19, Liberty was moving towards a future that would put it at the forefront of our industry, a future in which we could offer our clients and advisers the experiences they expect in the digital age. We were forced to pivot and reprioritise. The pandemic and the resulting lockdown provided opportunities to develop our support services to our advisers and clients, opportunities to stress test our ability to deliver client service virtually and opportunities to streamline processes, all at a pace not previously anticipated.

We were conscious of the fact that many of our clients would experience financial difficulties as a result of the pandemic. We made a number of changes to our product offerings to help ensure the retention of our client base. Importantly, we continued to manage the risk in the business to enable us to honour our financial commitments to our clients, settling all valid claims and managing their wealth prudently in volatile markets.

In the first 21 days of the lockdown, we concentrated on issues around continuity, sales, and solutions integration. We stabilised our people and processes to enable remote working with minimal disruption to client and adviser service.

The financial relief for clients included extended credit period for both risk and investment clients. Take up of the relief measures was most evident in April and May 2020. Understandably, service levels dropped in the early stages of the pandemic, particularly when we closed our service centre for three months following a COVID-19 outbreak. We secured laptops, office chairs and data packages at the homes of service centre employees.

Our main priority for our advisers was to support them during this challenging time so that they could continue to support our clients who needed them. To discourage clients from making impulsive and fear-based investment decisions, we provided advisers with ongoing updates on the social and economic impact of COVID-19 on financial markets and the management of client investments. We also encouraged and supported them to engage with clients using digital platforms and virtual tools.

We bolstered our tele-underwriting capability and introduced clear guidelines to enable new business. We managed our advisers' anxieties over the potential loss of income in the absence of face-to-face sales. We took swift action to ensure the sustainability of our adviser practices.

We introduced a scheme to provide financial assistance to qualifying advisers and new business support staff who experienced a significant decline in their new business commissions or variable income.

Our customer fairness principles

Leadership accountability-

Own the issue and don't pass the blame

Client led- Consider the client's interests first

Simple, clear, and transparent- Communicate in plain language

Reliable engagement- Make promises we can keep, and we keep the promises we make

Listen and empower- Provide the right solution for the right reasons that will empower our clients to make informed decisions

Continuous improvement- Evolve, adapt, and continuously improve in line with client expectations and changing needs

Monitor and reporting- Evidence what we say and do

Revolutionise advice

Our advice philosophy places the client at the heart of everything we do, and is designed to deliver a human, living and outcomes-oriented experience through the best advisers, enabled with smart technology and a culture of providing advice rather than selling a product. Our advisers build emotional and lasting connections by providing advice and guidance beyond finances that truly meet their clients' needs.

To support this advice philosophy, we focused on the following areas where we can add greater value to our clients and advisers:

- **Utilising technology through smart enablement**
- **Transforming our distribution channels**
- **Rejuvenating risk and investment products**
- **Improving our service levels**

A critical opportunity that emerged through the course of the COVID-19 crisis was the digital enablement of client and adviser engagements. The planned roll out of digital adviser tools was accelerated with the delivery of AtWork to over 50 tied advisers, the implementation of digital advice tools at record speed, and the provision of digital engagement tools including Microsoft Teams and the Salesforce adviser workbench.

Business development and learning initiatives included the launch of a product comparison tool for financial advisers and broker consultants that facilitates the replacement advice record process and supports the leads strategy integration into Salesforce.

Client feedback

We conducted our annual Voice of the Customer survey during July and August 2020. The survey was conducted using an online survey and computer-assisted telephonic interviews. The level of responses (totalling 2 251) and the results were very pleasing.

Client complaints

With clients at the core of our business, we understand that resolving complaints and driving excellent service is critical to ensure client satisfaction and protect our brand reputation. We made significant strides to improve our complaints-handling capabilities, with pleasing results. We will continue to focus on improving in all categories of customer satisfaction, and we are consistently improving our metrics across the board.

Value Created for Employees

Growing and developing at Liberty

e continued to invest in learning and development in a year of great disruption. We understand the need to develop our workforce to ensure they have the necessary skills to support Liberty in the future. Our learning and development philosophy therefore aim to enhance our internal capabilities to support the successful execution of our strategy.

We have designed our skills development programmes and short courses to respond to current and emerging market trends and develop our employees so they can prosper along with our business. We are pleased to have met our skills development target in 2020.

Health and safety

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. We are responsible for the health, safety, and security of all our employees and 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.



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 that are well labelled 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.

Investing in future skills

We understand that our training programmes need to be relevant to the skills required to deliver on our purpose. As part of this, we have to be conscious of the future skills we need and incorporate these into our programmes to ensure our employees can repurpose themselves throughout their careers at Liberty.

This year, we expanded our programmes to also include a focus on developing digital skills, such as data science, in partnership with external service providers.

Practitioners are also equipped with the knowledge and skills needed to move the business forward in an environment that is constantly changing. Considering human capital practitioners' roles in employee and customer experience, we aim to empower them with the right tools to manage an evolving new world, alongside the inevitable technological disruption.

Internships and learnerships

At Liberty, we aim to provide developing talent with the opportunity to build a career in the financial services industry. We achieve this through our learnership programme for matriculants as well as our undergraduate internship programme.

These programmes also include workplace experience of between eight to 12 months to prepare participants for the future. To ensure learners and interns were not hindered by a lack of access to technology or data, Liberty supplied computers and 3G cards, enabling them to work remotely. We enrolled 3 interns in 2020 (2019: 4).

Conditional bursaries

Through our bursary programme, employees can obtain a formal education in several subjects relevant to their career at Liberty. In this way, we enhance the skills of our employees while cultivating a more inclusive culture within Liberty. We continued with our efforts during the pandemic and invested Ushs5.8 million in bursaries for 5 employees during 2020.

Leadership

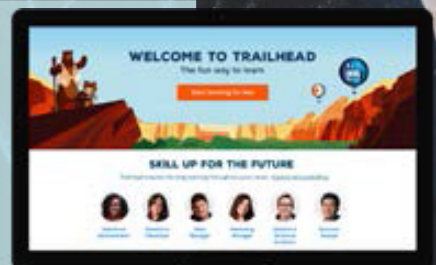
We believe that our leaders determine the culture and character of Liberty. Therefore, a significant part of our skills development spend is directed towards developing leaders across all levels of the business. Our programmes transform participants' perspectives making them more present, aware, and equips them with the necessary knowledge and skills to perform their duties with confidence.

This year, we developed two programmes aimed at empowering and preparing female leaders within Liberty.

The future is now

While 2020 was characterised by disruption and accelerated learning, in 2021 we will focus on leveraging knowledge gained to create an enhanced Liberty.

We believe our learning and development programmes are instrumental in creating a professional, skilled, and relevant workforce. We continue to explore ways to improve our training platform and, in the context of Liberty's digital transformation strategy, we will include interventions to simplify our business and encourage innovation while also building future skills.



Caring for the planet for future generations

We remain committed to minimising our business's impact on the environment and to climate change. We strive to keep up to date on current trends and mitigating responses to manage our workplaces effectively and efficiently. 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 stringently monitor, measure, and analyse electricity supply, water usage and waste management throughout our business. We have comprehensive awareness campaigns aimed at positively influencing our employees' behaviour to assist our efforts to reduce consumption of scarce resources. We also assess the environmental impact of our supply chains and find measures to enhance our SEE strategy.

We focus on implementing new initiatives to efficiently manage resources, such as investing in solar power for our office, harvesting rainwater, installing composters to manage and recycle waste and, in our efforts to benefit the community. We understand that our stakeholders care about our promises to responsibly steward the natural resources our business depends on.

As a responsible corporate citizen, we are committed to playing a meaningful role in society, which includes understanding and managing our environmental impacts. We do this by focusing on both our direct and indirect impacts, where we can be a catalyst for change.

We continue to find innovative ways to save resources by reducing our energy and water usage and the waste we generate. We have an extensive resource management programme in place to guide our approach to renewable energy, water and waste efficiency, and initiatives aimed at reducing our footprint.

Managing our waste responsibly

At Liberty, we are committed to responsible waste management, and continue to explore ways to minimise our impact on the environment by reducing our waste through initiatives such as installing composters and eliminating the use of plastics in our office. We appoint responsible and reputable contractors to dispose off or recycle our waste effectively, educate our employees, and encourage responsible behaviour. A waste assessment conducted in

2020 identified several opportunities for us to manage our waste more responsibly, managing organic waste at site.

Due to the above put in place, in 2020 our printing and stationery costs were amounting to Ushs25 million down from Ushs27.8 million in 2019, amounting to a 10% reduction. We used 2.2kgs of paper in 2020 compared to 2.5kg in 2019.

We continue to promote power saving by use of energy saving equipment and energy saving bulbs across all our branches. In 2020 our energy consumption was 15,470 units down 71% from 53,424 units in 2019 due to various cost containment measures initiated by management.

Total water consumption at Liberty was down 53% to 136 units in 2020 from 287 units in 2019 due to cost containment measures initiated by management. Water consumption includes usage in kitchens and toilets.

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 2020, we saved 0.3Kg of paper, 37,954 units of electricity and 151 units of water due to more efficient operation practices.

Overall, Liberty's carbon footprint is reducing due to the environmental projects we have participated in over the past few years. There has also been a reduction due to the impact of working remotely during the pandemic, however, we are cognisant that part of our carbon footprint has been transferred to our employees' homes and will again increase when employees return to the office.

Saying goodbye to single-use plastics

Creating meaningful behavioural change is imperative to mitigating our impact on climate change and the environment. In 2020, we introduced an initiative to reduce single-use plastics. Posing a massive threat to the environment, these plastics take between 10 and 1 000 years to break down into microplastics, wreak havoc on ecosystems and eventually enter our food systems. To play our part, we removed all plastic cutlery, containers, and polystyrene cups from our office premises.

In 2020, we eliminated single-use plastic bags, an initiative that was unfortunately badly disrupted by the COVID-19 pandemic given that we were not consistently operating during the various lockdown alert levels.

Our focus for 2021 is to analyse the progress of this initiative at work, and subsequently identify the steps we need to take to achieve zero plastic bags at our office. Part of this initiative is to create awareness of our own behaviour, and to educate our employees and clients on the risks for the environment associated with single-use plastics.

The recommendations on climate-related financial disclosures are designed to promote more informed investment, credit, and insurance underwriting decisions. The recommendations are structured around four themes: governance, strategy, risk management, and metrics and targets aimed at equipping stakeholders with a better understanding of the concentration of carbon-related assets in the financial sector, along with greater insight into a company's climate-related risks and opportunities.

Liberty's governance around climate related risks and opportunities

Liberty's board is ultimately responsible for the effective governance of risk management and ensures that clearly defined risk management roles and responsibilities are in place for the CEO who is supported by the exco, various subcommittees and key functions. The board has delegated to the Audit and risk committee oversight of risk, capital

management, and management of Liberty's approach to issues of, among others, good corporate citizenship, and sustainability. Looking ahead, Liberty expects to establish a groupwide ESG forum to further identify and monitor ESG-related matters, including climate-related risks and opportunities.

Climate-related risk and opportunity impact on strategy and financial planning

It is unlikely that any direct, physical climate change-related risks will have a material impact on our business in the short term. However, responding to climate change-related risks remains a priority for the Company.

The most significant risk to Liberty in the near future is potential reputational damage if we are seen as not responding adequately to threats relating to climate change, including those relating to the transition to a low-carbon economy. Stakeholder activism might increase in the short to medium term as society demands more environmentally friendly business practices, products, and services.

For ESG-related factors are a material investment consideration in line with its principles for responsible investing, an ESG forum was established in 2019 to improve ESG awareness and culture across various investment platforms. Liberty also actively participates in opportunities to finance more sustainable investments.





LIBERTY



Our dear customers, Liberty Uganda appreciates the **opportunity you have given us to serve you!**

We shall continue to keep you safe

#intiwithyou

Corporate Social Responsibility (CSR) Report

We strive to act with humanity and commit to doing so by improving the lives of people in the communities in which we operate. Despite the challenges of COVID-19, we continue to engage with our communities and prioritize those relationships that will generate future value for Liberty and society.

Liberty's corporate social investment (CSI) strategy prioritises education to create opportunities for future employment and contribute to the building of a thriving economy.

We understand the value of knowledge and its power to change realities. The COVID-19 pandemic not only impacted our economy, but also threatened access to continued learning for children across Uganda, particularly those learners from disadvantaged communities.

Redirecting our focus under a pandemic

The outbreak of COVID-19 and the resultant lockdown significantly disrupted the education sector, leaving millions of learners unable to attend school. This was detrimental for the youth in Uganda's most vulnerable and impoverished communities, most of whom did not have access to technology to access online learning. The problem was further intensified by high data costs, connectivity issues and load shedding. The pandemic necessitated a shift in how we deliver learning and development to learners. It also meant we had to repurpose our programs to align with the most pressing needs confronting our communities, remaining as inclusive as possible while keeping participants safe.

We redesigned our education and financial literacy programs to adapt to the changing environment during the COVID-19 pandemic. We delivered financial education through various digital channels during the national lockdowns, and the COVID-19 edition of our mind my money program was devised to help people navigate the practical financial challenges they faced during the pandemic.

In terms of employee initiatives, we created a COVID-19 specific training program to create awareness around the pandemic and how it impacts on the employee both personally and professionally. It was important that our employees understood the new protocols when returning to the workplace and that they focused on their own and their colleagues' safety.

While education was our primary focus, we redirected our Corporate Social Investment (CSI) funds and identified projects and partners that focused on a more comprehensive sustainability for our communities.

The total budget for CSR activities in 2020 was Ushs 50 million for CSR activities in various sectors mainly education, healthcare, environmental conservation, and sports contribution. The key objectives and rationale for the year's CSR activities were;

Contribution towards education.

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

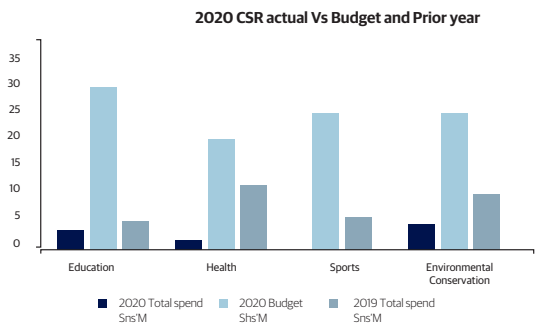
Contribution towards environmental conservation strategy.

Support towards the development of sports.

The performance of the company against budget and prior year was negatively impacted by the lockdown due to COVID-19 pandemic as the Company was unable to conduct most of the planned initiatives.

These are being prioritized for action as part of the 2021 CSR program.

Details on the performance of the 2020 CSR program was as below.



The specific CSR initiative undertaken in 2020 was as below;

Contribution to Education.

In January 2020, Liberty opened a library which enabled children to learn basic values of market, innovation, entrepreneurship, free speech, and expression which is helping them to grow into adults who are enterprising, peaceful, and tolerant of other views in society. Liberty library has made it easy for students and other young people to read and access books which are not found in school libraries. The implementation of this project was however interrupted with the outbreak of the COVID-19 pandemic and is being prioritized in the 2021 CSR plan. This program benefited 56 students.



Contribution to health

Children accessing reading materials from the liberty library

During the COVID-19 pandemic, Liberty contributed and participated in various live talk shows on our social media platforms, radio and television. These were aimed at sensitizing the masses on the COVID-19 pandemic. The live talk shows hosted on our Facebook page "Liberty Uganda" reached a total of 463 viewers.



One of our live talk shows on COVID 19

Contribution to environmental conservation

Liberty continued to support initiatives aimed at Environmental sustainability, given that according to NFA 2018, Uganda faced loss of its forest estate from 24% of the total land area in 1990 to 12.4% in 2015 translating into a loss of 2.4 million hectares in a span of 25 years.



In commemoration of the National Day of Tree planting, we partnered with conservation enthusiasts from various organisations including Ministry of water and Environment, Uganda Breweries, Total Uganda and, Stanbic Bank in the Running out of trees (R.O.O.TS) campaign. The R.O.O.TS initiative aimed at addressing the concern of deforestation in the country while encouraging the public to plant trees to foster sustainable development and save the environment thus reversing the effects of deforestation. The campaign included a 330 km awareness run to Northern Uganda while planting trees along the road by representatives of different corporate entities. The Roots campaign further set goals and commitments including planting 40 million trees and restoration of forests areas by 2030. Liberty offered ambulance services for over 50 runners during the marathon to Gulu.



Head of Corporate attends the launch of the ROOTs campaign



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In it with you

How is *your* **mental health?**

It's Safe To Say That 2020 Has Been A Year Filled With Anxiety, Loss And Stress For Most Of Us. When Our Emotional, Social And Psychological Wellbeing Is Out Of Sync, Our Mental Health Takes A Knock.

This Month, We Share Some Tips To Help You Through This Challenging Time...



Liberty awards one of the loyal customers for promoting the brand



Cash Benefit from our Funeral Plan.

- Cash Benefit Options 3Million, 6Million & 9 Million.
- Grocery Benefit- Ensures that there is food on the table when you are no longer around.
- Tombstone Benefit- Alleviate an additional expense strain on your loved ones with cover for a tombstone for the policyholder.
- Double Accident Benefit- In case of your accidental loss of life our Double Accident Benefit will pay out a lump sum equal to twice the value of your selected cover.
- Premium Waiver- Should the policyholder pass away; 12 months of cover is provided for the immediate family at the same benefit levels.



Find out more: +256 (0) 312 233 794 | info@liberty.co.ug | www.liberty.co.ug

Solace Farewell Plan

Can Be Taken By An Individual Or A Family (1 Spouse And Up To 6 Children) Depending On Your Needs.

Cover Options

Bronze
42,000/=

Silver
72,000/=

Gold
132,000/=

Platinum
252,000/=

Additional Benefits.



Grave Construction
Transportation Of The Remains
Covers Deceased Hospital Bills
Casket
Website Obituary
Family Cash Benefit



LIBERTY

Get a
hospital cash back plan so
you can have a peace of mind
even when you are hospitalized.
Terms & conditions apply

#WeAreInItWithYou

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More reasons why you should have a **Hospital Cash Back** Plan .

- Ensure your family's well-being is a top priority in the event of hospitalisation by getting cover for you, your spouse and up to 4 children
- Get up to US\$250 000 for every day you are in hospital for more than 3 days
- No medicals required when taking this policy
- Get double pay-out for each day of hospitalisation in Intensive Care Unit (ICU)
- Multiple claims for up to a maximum of 105 days in hospital for each person covered
- The Loyalty Reward Benefit allows you to be rewarded every 3 years with a cash back benefit whether you have claimed on the policy or not, subject to the policy being in force and all premiums fully paid.
- Additional lump sum for hospitalisation longer than 21 days



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Find out more: +256 (0) 312 233 794 | info@liberty.co.ug | www.liberty.co.ug

*Liberty is regulated by the Insurance Regulatory Authority of Uganda



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LIBERTY

Liberty Life Assurance Uganda Limited

Financial Statements for the year ended 31 December 2020

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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 2020.

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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2012 Laws of Uganda and the Insurance Act, 2017 Laws 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 106 of the financial statements.

3. Share capital

Under section 6 of the Insurance Act, 2017 Laws of Uganda, 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 2020 was Ushs 3 billion (2019: Ushs 3 billion).

4. Dividends

No dividend payment was proposed for the year 2020 (2019: nil).

5. Holding company

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

6. Auditor

The Company's auditor, KPMG, being eligible for reappointment, have expressed their willingness to continue in office in accordance with section 167(2) of the Companies Act, 2012 Laws of Uganda and Section 51 of the Insurance Act, 2017 Laws of Uganda.

7. Directors

The directors that held office as at 31 December 2020 have been listed on page 6 of this report.

8. Approval of financial statements

The financial statements were approved and authorized for issue at the Board of directors meeting held on 25th March 2021.

By order of the Board



Chairman

31st March 2021

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 2020, 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, 2012 Laws of Uganda and the Insurance Act, 2017 Laws of Uganda.

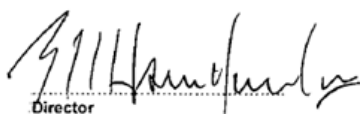
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk 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, 2017 Laws of Uganda and Companies Act, 2012 Laws 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 and authorised for issue on 25th March 2021.


Director


Director

Date: 31 March 2021

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 106 to 165 which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of 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 2020, 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, 2012 Laws of Uganda and the Insurance Act, 2017 Laws 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 year. 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 4H and 22 of the Financial Statements

Key audit matter

How the matter was addressed in our audit

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.

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.

- Our audit procedures in this area included, among others:
- Obtaining an understanding of the processes, systems and applications used in the claims handling and reserve setting processes of the Company as well as testing the design, implementation and operating effectiveness of the key controls around the same processes;
- Performing a search for any unrecorded insurance contract liabilities at the end of the year by evaluating claims received and claims paid after 31 December 2020;
- Assessing reasonableness of claims reserves by obtaining samples of claims reserves and comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss assessors;
- Evaluating the data used in determination of insurance contract liabilities by comparing the data in the actuarial report to the data recorded in the general ledger for consistency;
- Using our actuarial specialists to evaluate the reserving methodology including the liability adequacy test, judgements and assumptions applied using the data presented to the actuarial team by the Company's actuaries;
- Evaluating the adequacy of financial statements disclosures, including disclosures of key assumptions and judgements.

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 2020 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 express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, the Companies Act, 2012 Laws of Uganda and the Insurance Act, 2017 Laws 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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, 2012 Laws of Uganda and the Insurance Act, 2017 Laws 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 - PO401

KPMG
Certified Public Accountants
3rd Floor, Rwenzori courts
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P O Box 3509
Kampala, Uganda


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P O Box 3509
Kampala, Uganda

Date: 31 March 2021


CPA Stephen Ineget

Statement of comprehensive income for the year ended 31 December 2020

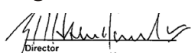
	Note	2020 Ushs'000	2019 Ushs'000
Revenue			
Insurance premium revenue	6	40,194,981	41,629,983
Reinsurance premiums ceded	6	(14,270,526)	(12,969,971)
Net insurance premium revenue	6	25,924,455	28,660,012
Investment income on financial assets measured at amortised cost		1,766,236	1,298,201
Other investment income		99,260	71,769
Expected credit loss on financial assets		(5,401)	(33,040)
Net Investment income	7	1,860,095	1,336,930
Other income/(expense)	8	21,459	(178,900)
Other finance costs	9	(80,629)	(101,565)
Total income		27,725,380	29,716,477
Claims and policyholders' benefits	10	(17,439,663)	(15,731,294)
Insurance claims recovered from re-insurers	10	12,879,421	10,085,956
Change in policyholder liabilities (net of reinsurance)		(139,091)	858,305
Commission expense		(5,545,265)	(5,235,168)
Commission income		268,259	1,378,602
General marketing and administration expenses	11	(14,046,584)	(17,409,372)
Profit before income tax	13	3,702,457	3,663,506
Income tax expense	14	(1,098,640)	(1,025,522)
Profit for the year		2,603,817	2,637,984
Other comprehensive income		-	-
Total comprehensive income for the year		2,603,817	2,637,984

The notes set out on pages 110 to 165 form an integral part of these financial statements.

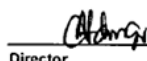
Statement of financial position as at 31 December 2020

	Note	2020 Ushs'000	2019 Ushs'000
Assets			
Cash and bank balances	15	3,704,418	5,336,018
Statutory security deposit	16	581,360	530,926
Financial assets at amortised cost	16	15,464,003	13,643,289
Financial assets at fair value	16	129,600	104,200
Unit Trust Investments	17	430,306	300,296
Prepayments, insurance and other receivables	18	7,491,967	6,884,435
Current income tax receivable	14	185,274	530,608
Property and equipment	20	500,494	548,008
Right-of-use asset	21	1,776,420	1,054,183
Intangible assets	19	28,434	56,868
Deferred income tax assets	28	1,368,120	1,413,260
Total Assets		31,660,396	30,402,091
Liabilities			
Policyholders' liabilities		6,674,999	7,198,287
Insurance contracts	22	6,498,058	7,021,983
Investment linked contracts (excluding discretionary participation features (DPF))	22	176,941	176,304
Insurance and other payables	23	1,519,761	2,074,637
Employee benefits	24	425,517	392,414
Lease liabilities	21	1,867,870	1,121,828
Amounts due to related parties	29	4,556,504	5,602,997
Total liabilities		15,044,651	16,390,163
Equity			
Share capital	25	3,000,000	3,000,000
Capital reserve	26	1,450,686	1,320,495
Contingency reserve	26	4,990,384	4,588,434
Retained earnings	27	7,174,675	5,102,999
Total Equity		16,615,745	14,011,928
Total Equity and Liabilities		31,660,396	30,402,091

The financial statements on pages 106 to 165 were approved and authorized for issue by the Board of Directors on 25 March 2021 and signed on its behalf by:


Director

31 March 2021


Director

31 March 2021

The accounting policies and notes on pages 110 to 165 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2020

	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 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	2,637,984
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	2,637,984	2,637,984
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
Year ended 31 December 2020						
At the start of the year		3,000,000	1,320,495	4,588,434	5,102,999	14,011,928
Comprehensive income:						
Profit for the year		-	-	-	2,603,817	2,603,817
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	2,603,817	2,603,817
Transaction with owners:						
Transfer to capital reserve	26	-	130,191	-	(130,191)	-
Transfer to contingency reserve	26	-	-	401,950	(401,950)	-
Transactions with Owners		-	130,191	401,950	(532,141)	-
At end of year		3,000,000	1,450,686	4,990,384	7,174,675	16,615,745

The notes set out on pages 110 to 165 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2020

	Note	2020 Ushs'000	2019 Ushs'000
Cash flows from operating activities			
Cash generated from operations	30	1,597,163	499,303
Other finance costs – interest on leases paid	21(e)	(80,629)	(101,565)
Income tax paid	14	(708,165)	(361,755)
Net cash from operating activities	30	808,369	35,983
Cash flows from investing activities			
Purchase of property and equipment	20	(143,286)	(121,932)
Financial assets at amortised cost and at fair value		(1,901,949)	1,416,895
Unit trust investment		(130,010)	(136,199)
Net cash from investing activities		(2,175,245)	1,158,764
Cash flows from financing activities			
Payment for lease liability	21(e)	(264,722)	(232,153)
Total cash movement for the year		(1,631,598)	962,594
Cash at start of year		5,336,016	4,373,422
Total cash at end of year	15	3,704,418	5,336,016

The notes set out on pages 110 to 165 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 Companies Act, 2012 Laws of Uganda 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 2020 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 2019.

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 2020 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

There are no changes in significant accounting policies applied by the Company in the preparation of these financial statements.

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 table on the next page:

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.

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	Average 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:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- (i) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- (ii) the disappearance of an active market for that financial asset because of financial difficulties; or
- (iii) 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.

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)
- 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 2020.

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.

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.

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 2020.

D. Financial Instruments (continued)

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.

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 Insurance Act, 2017 Laws of Uganda, 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 2020 was Ushs 3 billion (2019: 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.

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

At the 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 a consideration.

i) As a lessee

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.

O. Leases (continued)

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.

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. Comparatives

Where necessary, comparative numbers have been adjusted to conform to changes in presentation adopted in this current year. IAS 1 requires impairment provisions on financial assets to be presented on a net basis with the respective balances in the statement of financial position. This has affected the cash and bank balances, statutory security deposit and financial assets at amortised cost line in the prior year comparatives

Q. 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:

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 (2019: 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 6,675 million (2019: Ushs 7,198 million).

Unexpired risk reserve (Covid-19 reserve)

The COVID-19 coronavirus poses a significant threat to global health and in March 2020, the World Health Organisation declared it a pandemic. The company has assessed the potential impact of this on its financial statements by reviewing the expected mortality rates based on the Wuhan mortality rate, assessment of the retrenchment and disability risk as well as policy lapse risk because of the effect of the virus. An unexpired risk reserve of Ushs 442 million has been set to cover for this risk and is included in the total life fund balance of Ushs 6,675 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).

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

R. New and amended standards adopted by the Company

The following standards are effective for the first time for the financial reporting year on or after 1 January 2020:

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

The IASB has made amendments to IAS 1, Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent

definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify: that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information and that an entity assesses materiality in the context of the financial statements as a whole, and the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendment is effective 1 January 2020. Management has assessed the impact of the standard and considered it immaterial to the Company.

Interest Rate Benchmark Reform – Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The amendment is effective 1 January 2020. Management has assessed the impact of the standard and considered it immaterial to the Company.

COVID-19-Related Rent Concessions – Amendment to IFRS 16 Leases

In response to the COVID-19 coronavirus pandemic, the International Accounting Standards Board issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.

The amendments introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications,

and accounts for them in accordance with other applicable guidance. The resulting accounting depends on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it is accounted for as a variable lease payment and be recognised in profit or loss.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and;
- no other substantive changes have been made to the terms of the lease.
- Lessees applying the practical expedient are required to disclose:
- the fact that, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The amendment is effective 1 June 2020. Management has assessed the impact of the standard and considered it immaterial to the Company.

R. New and amended standards adopted by the Company (continued)

Other standards/amendments not applicable to the Company include:

1. Definition of a Business – Amendments to IFRS 3 Business Combinations

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.
- 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.

There is no significant impact of this interpretation on the financial statements.

S. New and amended standards and interpretations in issue but not yet adopted by the company

The following standards and interpretations have been issued but were not mandatory for annual reporting periods ending 31 December 2020:

IFRS 17 Insurance Contracts (effective 1 January 2023)

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 2022, 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.

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.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 Presentation of Financial Statements

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

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

Other standards/amendments not applicable to the Company include;

1. Property, Plant and Equipment - Proceeds before Intended Use: Amendments to IAS 16 Property, Plant and Equipment;
2. Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
3. Annual Improvements to IFRS Standards 2018–2020 - Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture.

The standards are effective 1 January 2022 and are not expected to have a significant impact on the financial statements of the company.

5. Risk management

1. Introduction

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

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

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

The key elements of risk management are:

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

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

Risk management is performed by the Company's management under the oversight of the Board.

The risk management principles and policies applied are consistent with those applied in the wider Liberty Group as approved by the Liberty Holdings (South Africa) Group Risk Committee (GRC), and the Group Audit and Actuarial Committee (GAAC).

The sections are structured as follows:	Section
Enterprise-wide risk management (ERM)	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.

5. Risk management (continued)

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.

5. Risk management (continued)

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 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.

b) Risk taxonomy

The board has approved the risk categories that reflect the diverse nature of the business' activities. These risk categories form the group's risk taxonomy and cover the range of risks to which the business is exposed to.

The risk taxonomy allows management and the Board of Liberty Life Uganda to develop specific frameworks and policies covering the management of each risk as well as to obtain accurate, reliable and expeditious information with which to measure and monitor risks.

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

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

Solvency Risk
Reputation Impact

5. Risk management (continued)

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

ii 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 107% surplus (2019: 2.91) to the capital adequacy ratio.

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

Under the Insurance Act of Uganda, the Insurance Regulatory Authority of Uganda ("IRA") is mandated to use Risk Based Supervision (RBS) as a supervisory approach of regulating licensees for both insurance companies and HMOs on a risk sensitive basis. In 2019, IRA introduced a framework for risk-based supervision ("RBS") of licensed companies to be implemented in a phased manner between 2019 and 2024.

Capital adequacy under the RBS framework is measured based on requirements adapted from the Solvency 2 framework of the European Union which are enshrined in the Insurance (Capital Adequacy and Prudential Requirements) Regulations 2020. The regulations require insurance companies to maintain capital resources for various risks including credit risk, market risk, operational risk, concentration risk, liquidity risk, and insurance risk which are determined based on specifications set out in the regulations.

5. Risk management (continued)

As at 31 December 2020, the Company had a capital surplus of 107% (2019: 49%) as shown below:

	Note	2020 Ushs'000	2019 Ushs'000
Capital available	a)	13,800,882	11,224,454
Capital required	b)	4,500,000	4,500,000
Capital Adequacy Ratio		307%	249%
Prescribed Capital Adequacy Ratio		200%	200%
Capital surplus (%)		107%	49%
Capital surplus		9,300,882	6,724,454

In view of the phased adoption of the newly introduced RBS framework, the company is deemed to have complied with capital requirements as at 31 December 2020 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.

b. Capital Available

Capital available under the risk-based supervision ("RBS") framework is computed as the sum of the total equity for the period less deductions as follows:

	2020 Shs'000	2020 Shs'000
Tier 1 Capital		
Share capital	3,000,000	3,000,000
Retained earnings	7,174,675	5,102,999
Statutory reserves	6,441,070	5,908,929
	16,615,745	14,011,928
Tier 2	-	-
Total equity	16,615,745	14,011,928
Less deductions		
Deferred Tax Asset	(1,368,120)	(1,413,260)
Deferred Acquisition Cost	-	-
Current Tax Recoverable	(185,274)	(530,608)
Prepaid expenses	(705,637)	(625,715)
Sundry debtors	(119,528)	-
Intangible assets	(28,434)	(56,868)
Encumbrances	28,988	28,255
Motor vehicle	(25,664)	(87,258)
Computer Equipment	(121,560)	(102,020)
Furniture, Fittings and Office equipment	(289,634)	(298,616)
Total deductions	(2,814,863)	(2,787,474)
Available capital (Tier 1 Capital+(Min of tier 1 capital and tier 2 capital) - deductions)	13,800,882	11,224,454

b. Capital Required

Capital required under the risk-based supervision ("RBS") framework is maximum of the Total Risk Based Capital (computed as the square root of the sum of the squares of market risk, credit risk, insurance risk and operational risk) and the absolute minimum capital required.

	2020 Ushs'000	2019 Ushs'000
Capital required	4,500,000	4,500,000

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.

5. Risk management (continued)

v) Insurance risk (continued)

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

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	2020	2019
	Ushs'000	Ushs'000
Financial assets at amortised cost	15,593,603	13,747,489
Prepayment and insurance receivables (excluding prepayments)	6,786,330	6,231,720
Statutory Security Deposit	581,360	530,926
Cash and cash equivalents	3,704,418	5,336,018
Unit trust investments	430,306	300,296
Total Financial and Insurance assets	27,096,017	26,146,449

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.

5. Risk management (continued)

Sensitivity analysis

The table below summarises the company's exposure to interest rate risk as at 31 December 2020 and 31 December 2019;

	Average interest rate	31-Dec-20 Ushs'000	31-Dec-19 Ushs'000
Unit trust investment balance	8%	430,306	300,296
		430,306	300,296

A +/-2 movement in the interest rates would have an impact of +/- Ushs 5M 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):

	2020			2019		
	ZAR	USD	Total	ZAR	USD	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Amount due to Group companies	(530,697)	-	(530,697)	(1,485,026)	(215,552)	(1,700,578)
Cash and Bank balances	211,807	191,797	403,604	1,583	922,715	924,298
	(318,890)	191,797	(127,093)	(1,483,443)	707,163	(776,280)

At December 31, 2020, 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 16million and Ushs 10million 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	(15,944)	9,590
- 5% movement	15,944	(9,590)

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.

5. Risk management (continued)

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 2020.

	AAA	AA	A	B+	Not rated	Total Carrying value
At December 31 2020	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Financial assets at amortised cost	13,069,365	-	-	2,394,638	129,600	15,593,603
Insurance and other receivables (excluding prepayments)	-	-	-	-	6,786,330	6,786,330
Statutory security deposit	581,360	-	-	-	-	581,360
Unit trust investments	-	-	-	430,306	-	430,306
Cash at bank	-	-	-	-	3,704,418	3,704,418
Total assets bearing credit risk	13,650,725	-	-	2,824,944	10,620,348	27,096,017
At December 31 2019						
Financial Instruments	11,894,433	-	-	1,748,856	104,200	13,747,489
Insurance and other receivables (excluding prepayments)	-	-	-	-	6,231,720	6,231,720
Statutory security deposit	530,926	-	-	-	-	530,926
Unit trust investments	-	-	-	300,296	-	300,296
Cash at bank	-	-	-	-	5,336,018	5,336,018
Total assets bearing credit risk	12,425,359	-	-	2,049,152	11,671,938	26,146,449

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			
2020	Overall Company investment Ushs'000	Exposure to Standard Bank Ushs'000	%
Equity instruments-Uganda re	129,600	-	-
Financial instruments	15,464,003	-	-
Statutory Security Deposit	581,360	-	-
Unit trust investment	430,306	-	-
Cash and cash equivalents	3,704,418	1,293,228	34.9
Total exposure to Standard Bank	20,309,687	1,293,228	6.4
2019			
Equity instruments-Uganda re	104,200	-	-
Financial instruments	13,643,289	-	-
Statutory Security Deposit	530,926	-	-
Unit trust investment	300,296	-	-
Cash and cash equivalents	5,336,018	3,156,819	59.1
Total exposure to Standard Bank	19,914,729	3,156,819	15.9

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.

	2020 Ushs'000	2019 Ushs'000
Past due but not impaired:		
- by up to 30 days	290,766	752,123
- by 31 to 60 days	-	-
Total past due but not impaired	290,766	752,123
Impaired-past due by >60 days	1,961,620	160,911
Total	2,252,386	913,034

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).

2020

Year ended 31 December 2020	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	-	15,188,104	309,412	129,600	15,627,116	15,593,603
Prepayments, insurance and other receivables (excluding prepayments)	-	4,855,121	1,917,187	14,022	6,786,330	6,786,330
Cash and short-term deposits	3,704,418	-	-	-	3,704,418	3,704,418
Statutory security deposit	-	581,360	-	-	581,360	581,360
Unit trust investment	-	464,730	-	-	464,730	430,306
Total assets	3,704,418	21,089,315	2,226,599	143,622	27,163,954	27,096,017

	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	-	5,849,913	608,830	39,315	6,498,058	6,498,058
Investment linked contracts (excluding discretionary participation features (DPF))	-	176,941	-	-	176,941	176,941
Employee benefits	425,517	-	-	-	425,517	425,517
Insurance and other payables	873,265	646,496	-	-	1,519,761	1,519,761
Lease liability	-	339,609	1,765,819	716,294	2,821,722	1,867,870
Amounts due to related parties	-	4,556,504	-	-	4,556,504	4,556,504
Total Liabilities	1,298,782	11,569,463	2,374,649	755,609	15,998,503	15,044,651
Net Liquidity gap	2,405,636	9,519,852	(148,050)	(611,987)	11,165,451	12,051,366

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	13,747,489
Prepayments, insurance and other receivables (excluding prepayments)	-	3,638,132	2,593,588	-	6,231,720	6,231,720
Cash and short-term deposits	5,339,534	-	-	-	5,339,534	5,336,018
Statutory security deposit	-	569,294	-	-	569,294	530,926
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

Year ended 31 December 2019	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	-	5,602,997	-	-	5,602,997	5,602,997
Total Liabilities	1,001,296	14,489,424	1,027,881	47,913	16,566,514	16,390,163
Net Liquidity gap	4,338,238	3,741,686	1,863,939	56,287	10,000,150	9,756,286

a. Liquidity profile of financial assets

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

Financial asset liquidity	2020	2019
Liquid assets	13%	18%
Medium assets	87%	82%
	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 summarizes 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 2020	0 - 3 months	Less than 1 year	carrying value
	Ushs'000	Ushs'000	Ushs'000
Employee benefits	425,517	-	425,517
Insurance and other payables	873,265	646,496	1,519,761
Lease liability	-	1,867,870	1,867,870
Amounts due to group companies	-	4,556,504	4,556,504
Total	1,298,782	7,070,870	8,369,652
Year ended 31 December 2019			
Employee benefits	392,414	-	392,414
Insurance and other payables	608,882	1,465,755	2,074,637
Lease liability	-	1,121,828	1,121,828
Amounts due to group companies	-	5,602,997	5,602,997
Total	1,001,296	8,190,580	9,191,876

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.

2020	Investment contracts excluding Discretionary features	Insurance contracts	Total Policyholder Liabilities
	Ushs'000	Ushs'000	Ushs'000
Total policyholder liabilities			
Within 1 year	176,941	5,849,913	6,026,854
2 - 5 years	-	608,830	608,830
6 - 10 years	-	23,071	23,071
11 - 20 years	-	28,839	28,839
Over 20 years	-	(12,595)	(12,595)
Total liabilities	176,941	6,498,058	6,674,999

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

2020	Carrying value Ushs'000	Surrender Value Ushs'000
Insurance contracts	6,498,058	2,151,444
Investment contracts excluding DPF	176,941	164,596
Total policyholder liabilities	6,674,999	2,316,040

2019	Investment contracts excluding Discretionary features	Insurance contracts	Total Policyholder Liabilities
Total policyholder liabilities	Ushs'000	Ushs'000	Ushs'000
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 with excluding DPF	176,304	164,003
Total Policy holder liabilities	7,198,287	2,687,746

xi. 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.

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

	2020 Ushs'000	2019 Ushs'000
Insurance premiums from insurance contracts	40,194,981	41,629,983
Reinsurance premiums	(14,270,526)	(12,969,971)
Net insurance premium revenue	25,924,455	28,660,012
Comprising:		
Recurring	32,793,502	32,449,333
Group risk	4,066,758	4,231,402
Single premium	3,334,721	4,949,248
	40,194,981	41,629,983
Less: Premium ceded to reinsurers	(14,270,526)	(12,969,971)
Net premium income from insurance contracts	25,924,455	28,660,012

7. Investment income

	2020 Ushs'000	2019 Ushs'000
Financial assets held at amortized cost		
Investment income	1,766,236	1,298,201
Interest income on current accounts	99,260	71,769
Net impairment loss on financial assets (note 11b)	(5,401)	(33,040)
Total investment income	1,860,095	1,336,930

8. Other income

	2020 Ushs'000	2019 Ushs'000
Sundry income/(losses)	27,242	(27,573)
Foreign exchange losses	(5,783)	(151,327)
Total other income	21,459	(178,900)

9. Other finance costs

	2020 Ushs'000	2019 Ushs'000
Interest on finance lease	80,629	101,565
	80,629	101,565

10. Claims and policyholders' benefits

	2020 Ushs'000	2019 Ushs'000
Death and physical health claims	17,439,663	15,731,294
Insurance claims recovered from re-insurers	(12,879,421)	(10,085,956)
Net insurance benefits and claims	4,560,242	5,645,338

11. General marketing and administration expenses

General marketing and administration expenses include the following:

	2019 Ushs'000	2019 Ushs'000
Staff costs	2,941,799	2,976,570
Subscriptions	4,416,928	5,677,502
Fees paid for administration services	295,000	2,211,937
Advertising	404,549	266,383
Other expenses	909,785	895,197
Amortisation (note 19)	28,434	28,434
Travel - local	11,296	123,187
Directors' fees	120,926	292,155
External audit fees	130,715	122,956
Internal audit fees	144,101	194,630
Low value lease expense	43,123	49,134
VAT expense	87,923	-
Insurance	38,215	23,053
Other staff costs	128,454	155,032
Training	5,880	45,703
Depreciation (note 20)	190,800	176,045
Depreciation- Right of use asset (note 21)	305,213	299,799
Repairs and maintenance expense	3,807	15,158
Expected credit loss provision (note 11b)	(186,171)	32,052
Profit share expenses	4,025,807	3,824,445
	14,046,584	17,409,372

11 (b) Expected credit loss reconciliation

The movement in expected loss provision for premiums debtors and financial assets is analysed as below:

2020

	Bank balances Ushs'000	Statutory deposit Ushs'000	Government securities and fixed deposits Ushs'000	Total ECL other financial assets	Premiums debtors Ushs'000	Total Ushs'000
At 1 January	3,516	1,269	28,255	33,040	208,284	241,324
Charge for the year	109	34	5,258	5,401	(186,171)	(180,770)
Bad debts write-off	-	-	-	-	(6,764)	(6,764)
At 31 December	3,625	1,303	33,513	38,441	15,349	53,790

2019

	Bank balances Ushs'000	Statutory deposit Ushs'000	Government securities and fixed deposits Ushs'000	Total ECL other financial assets Ushs'000	Premiums debtors Ushs'000	Total Ushs'000
At 1 January	-	-	-	-	176,232	176,232
Charge for the year	3,516	28,255	1,269	33,040	32,052	65,092
At 31 December	3,516	28,255	1,269	33,040	208,284	241,324

12. Staff costs

	2020 Ushs'000	2019 Ushs'000
Staff salaries	2,516,282	2,584,156
Provision for Bonus	425,517	392,414
	2,941,799	2,976,570

The average number of employees of the company during the year was 34 (2019:33)

13. Profit before tax

Profit after tax is stated after charging

	2020 Ushs'000	2019 Ushs'000
Auditor's remuneration (Note 11)	130,715	122,956
Amortization of intangible assets (Note 19)	28,434	28,434
Depreciation (Note 20)	190,800	176,045
Right-of-Use depreciation (Note 21)	305,213	299,799
Wages and salaries (Note 12)	2,941,799	2,976,570

14. Income tax expense

	2020 Ushs'000	2019 Ushs'000
Current income tax	704,094	1,848
WHT on government securities	284,868	220,925
Deferred income tax	45,140	802,749
Unsupported WHT	19,919	-
Prior year current income tax adjustment	44,619	-
Income tax expense	1,098,640	1,025,522

14. Income tax expense (Continued)

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 %	2020 Ushs'000	Effective tax rate %	2019 Ushs'000
Profit before income tax		3,702,457		3,663,506
Tax calculated at the statutory income tax rate of 30%	30%	1,110,737	30%	1,099,052
Tax effects of:				
Income taxable at 20% as a final tax	7.69%	284,868	6.03%	220,925
Expenses not deductible for tax purposes	(10.51%)	(388,980)	(8.04%)	(294,419)
Prior year deferred tax adjustment	0.74%	27,477	(0.001%)	(36)
Prior year current income tax adjustment and Unsupported WHT	1.74%	64,538	-	-
Income tax expense for the year	29.67%	1,098,640	28%	1,025,522

Income tax recoverable

	2020 Ushs'000	2019 Ushs'000
Tax payable at start of year	(530,608)	(391,626)
Current income tax charge	704,094	1,848
WHT on government securities	284,868	220,925
Tax paid	(708,165)	(361,755)
Prior year current income tax adjustment	44,619	-
Unsupported WHT write off	19,918	-
Tax receivable at end of year	(185,274)	(530,608)

15. Cash and bank balances

	2020 Ushs'000	2019 Ushs'000
Cash and bank balances	3,708,043	5,339,534
Expected credit loss on Bank balances provision (note 11(b))	(3,625)	(3,516)
	3,704,418	5,336,018

The carrying value of cash and bank balances is approximately equal to the fair value.

16. Debt and equity instruments

	2020 Ushs'000	2019 Ushs'000
At amortised cost		
Government securities	13,097,050	11,920,040
Fixed deposits	2,400,466	1,751,504
Expected credit loss on Government securities and FDs (note 11b)	(33,513)	(28,255)
	15,464,003	13,643,289
Statutory Security Deposit	582,663	532,195
Expected credit loss on statutory security deposit (note 11b)	(1,303)	(1,269)
	581,360	530,926
Total carrying amount	16,045,363	14,174,215
At FVTPL		
Unlisted equity securities - investment in Uganda Re	129,600	104,200
	16,174,963	14,278,415

	2020 Ushs'000	2019 Ushs'000
Maturity profile of government securities and fixed deposits - gross:		
Less than 1 year	15,188,104	13,557,000
1 - 5 years	309,412	316,544
Total	15,497,516	13,671,544

The weighted average effective interest rate on debt and equity instruments as at 31 December 2020 was 11.71% (2019: 11.4%).

17. Unit trust investments

	2020 Ushs'000	2019 Ushs'000
Unit trust investment balance	430,306	300,926
	430,306	300,926

18. Prepayments, insurance and other receivables

	2020 Ushs'000	2019 Ushs'000
Outstanding premium receivables	2,498,556	2,933,382
Expected credit loss on premium debtors provision (note 11b)	(15,349)	(208,284)
Reinsurance recoveries	2,252,386	913,034
Reinsurers' share of insurance contract liabilities (note 22)	1,931,209	2,593,588
Prepayments	705,637	652,715
Other debtors	119,528	-
Total prepayments, insurance and other receivables	7,491,967	6,884,435

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

	2020			2019		
	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	(661,566)	28,434	690,000	(633,132)	56,868
Total	690,000	(661,566)	28,434	690,000	(633,132)	56,868

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 2020	At start of year	Amortisation	At end of year
Carrying value	Ushs'000	Ushs'000	Ushs'000
Computer software	-	-	-
Value of In-Force Business	56,868	(28,434)	28,434
	56,868	(28,434)	28,434

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

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 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
At 1 January 2020	399,051	390,283	181,501	307,970	1,278,805
Additions	84,848	37,516	20,922	-	143,286
At 31 December 2020	483,899	427,799	202,423	307,970	1,422,091
Depreciation					
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	189,560	83,608	220,712	730,797
At 1 January 2020	236,917	189,560	83,608	220,712	730,797
Charge for the year	61,786	47,524	19,896	61,594	190,800
At 31 December 2020	298,703	237,084	103,504	282,306	921,597
Net book value					
At 31 December 2019	162,134	200,723	97,893	87,258	548,008
At 31 December 2020	185,196	190,715	98,919	25,644	500,494

21. Leases

a. 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.

Cost	2020 Ushs'000	2019 Ushs'000
At the start of the year	1,353,982	1,353,982
Opening balance adjustment	(6,623)	-
Additions to right of use assets	1,034,073	-
At the end of the year	2,381,432	1,353,982
Depreciation		
At the start of the year	(299,799)	-
Charge for the year	(305,213)	(299,799)

Cost	2020 Ushs'000	2019 Ushs'000
At the end of the year	(605,012)	(299,799)
Net book value	1,776,420	1,054,183

b. Lease Liabilities

Cost	2020 Ushs'000	2019 Ushs'000
At the start of the year	1,121,828	1,353,982
Opening balance adjustment	(6,623)	-
Additions to right of use assets	1,034,073	-
Interest expense	80,629	101,565
Payments in the year	(345,351)	(333,719)
Effect of foreign exchange movements	(16,686)	-
At the end of the year	1,867,870	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 2020. The weighted average rate applied is 12%.

The fair value of lease liabilities approximates its carrying amount.

At 31 December 2020, the future minimum lease payments under non-cancellable operating leases were payable as follows.

c. Amounts recognized in profit or loss

	2020 Ushs'000	2019 Ushs'000
Interest on lease liabilities	80,629	101,565
Depreciation on Right of Use Asset	305,213	299,799
Expenses relating to low value lease expense	43,123	49,134
Effect of foreign exchange movements	(16,686)	-
Total	412,279	450,498

d. Amounts recognized in the statement of cash flows

	2020 Ushs'000	2019 Ushs'000
Payment of lease liabilities	264,722	232,154
Interest expense on lease payment	80,629	101,565
Total cash outflow for leases	345,351	333,719

e. The Company's leasing activities and how these are accounted for

The Company has two lease agreements, ending 31 August 2023 (Madhvani building) and 31 March 2021 (Africourts building). The lease agreement terms have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Management has exercised the extension option on Madhvani building by extending the lease term by 5 more years and Africourts building by 1 year since management has plans to terminate the Africourts lease in the near future. The leases contain neither variable lease payments nor residual value guarantees.

f. Discount rate

In determination of the implicit rate of the lease (Discount rate), the Company obtained an indicative borrowing rate of funds with similar term structure as the lease from dfcu Bank and used this incremental borrowing rate as the discount rate since the company does not have outstanding borrowings as at 31 December 2020. The incremental borrowing rate given by dfcu Bank was 12%.

22. Policyholders' liabilities under insurance contracts

	Insurance contracts	Investments contracts without DPF	Reinsurance share of insurance contract liabilities (Note 18 and 23)	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
At 31 December 2020				
At start of year	7,021,983	176,304	(2,593,588)	4,604,699
Movement in actuarial reserves (charged to P&L)	(523,925)	637	662,379	139,091
At end of year	6,498,058	176,941	(1,931,209)	4,743,790
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

22. Policyholders' liabilities under insurance contracts (continued)

a. Insurance contract liabilities

	Insurance contracts	Investment contracts with DPF	Reinsurance share of insurance contract liabilities (note 18 and 23)
Year Ended 31 December 2020	Ushs'000	Ushs '000	Ushs '000
At start of year	7,021,983	-	(2,593,588)
Inflows	42,736,141	-	(14,957,828)
Insurance premiums	40,194,981	-	(14,270,526)
Investment returns - other	2,541,160	-	(687,302)
Unwinding of discount rate	815,131	-	(305,715)
Investments	1,726,029	-	(381,587)
Outflows	(41,061,477)	-	16,014,715
Claims and policyholders' benefits under insurance contracts	(17,424,897)	-	12,879,421
Acquisition costs associated with insurance contracts	(5,277,006)	-	-
Taxation	(638,712)	-	(452,952)
General marketing and administration expenses	(13,695,055)	-	3,588,246
Profit share allocations	(4,025,807)	-	-
Switches between investment with DPF and investment without DPF	-	-	-
Net (income) from insurance operations	(2,198,589)	-	(394,508)
At end of year	6,498,058	-	(1,931,209)

Year Ended 31 December 2019	Insurance contracts	Investment contracts with DPF	Reinsurance share of insurance contract liabilities (note 18 and 23)
	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)

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

Policyholders' liabilities under investment contracts without DPF

	2020 Ushs'000	2019 Ushs'000
At start of year	176,304	171,567
Fund inflows from investment contracts (excluding switches)	18,919	18,632
Net fair value adjustment	-	-
Funds outflows from excluding switches	(14,766)	(10,414)
Switches between investments with DPF and investments without DPF	-	-
Service fee income	(3,516)	(3,481)
At the end of the year	176,941	176,304

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 2020.

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.

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

Product	Assumption 31 December 2019	Experience 31 December 2020	Assumption 31 December 2020
Centenary Bank	30%	21%	25%
Stanbic PLP	25%	18%	25%
Stanbic Mortgage	25%	9%	25%
Stanbic ASB	80%	2%	80%
Stanbic Credit Card	20%	2%	20%
BOU Group Risk	30%	29%	30%
MTN Group Risk	30%	29%	30%
Stanbic Group Risk	30%	29%	30%
Other Group Life	30%	29%	30%
Other Group Funeral	30%	29%	30%
Other Group Credit Life	30%	29%	30%
Group Risk Medical	70%	69%	70%
My Life Personal Accident	80%	0%	80%
Retail Funeral Plan	65%	0%	65%
Personal Accident Plan	80%	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%

22. Policyholders' liabilities under insurance contracts (continued)

1.2 Persistency

The persistency rate for PLP increased from 42% to 44%. The group risk medical persistency rate improved from the the pricing basis of 13.48% to 10%. The persistency rates are summarized as per the table below;

31 December 2020				
	First year	Second year	Third year	Subsequent years
Centenary Bank	0.00%	0.00%	0.00%	0.00%
Stanbic PLP	44.00%	44.00%	44.00%	44.00%
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	10.00%	10.00%	10.00%	10.00%
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 2020	31 December 2019
	Months	Months
Centenary Bank	2.80	3.00
Stanbic PLP	3.35	3.50
Stanbic Mortgage	3.35	3.50
Stanbic ASB	3.35	3.50
Stanbic Credit Card	3.35	3.50
Other Credit Life	2.60	2.60
BOU Group Risk	2.00	1.50
MTN Group Risk	2.00	1.50
Stanbic Group Risk	2.00	1.50
Other Group Life	2.00	1.50
Other Group Funeral	2.00	1.50
Other Group Credit Life	2.00	1.50
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	2.00	2.10
Pride Microfinance Credit Life	2.80	2.80
Housing Finance Credit Life	3.50	2.70

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.

22. Policyholders' liabilities under insurance contracts (continued)

2. Economic Assumptions

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

Economic Basis	31 December 2020	31 December 2019
	per annum	per annum
Risk Free Rate of Return	9.16%	9.17%
Risk Discount Rate	11.96%	11.97%
Expense Inflation Rate	7.41%	7.42%

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.

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:

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

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:

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

Where:

c = commission rate;

r = expense allowance of 15%; and,

m = compulsory margin of 7.5%.

f = expense handling factor of 1.02

22. Policyholders' liabilities under insurance contracts (continued)

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.

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

	2020 Ushs'000	2019 Ushs'000
Outstanding claims	212,649	237,947
Reinsurance payables	646,496	968,612
Commission expense payable	330,212	319,989
Accruals, provisions and other liabilities	330,404	548,089
	1,519,761	2,074,637

Insurance contract liabilities

	2020 Ushs'000	2019 Ushs'000
Payable under deposits administration contracts	176,941	176,304
Life - fund contract liabilities (note 22)	6,498,058	7,021,983
Reinsurer's share of insurance contract liabilities (note 18 and 22)	(1,931,209)	(2,593,588)
	4,743,790	4,604,699

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.

	2020 Ushs'000	2019 Ushs'000
At 1 January	176,304	171,567
Claims and surrenders	(14,766)	(10,414)
Net movement in actuarial reserves	15,403	15,151
	176,941	176,304

24. Employee benefits

Incentive scheme	2020 Ushs'000	2019 Ushs'000
Short-term employee benefits		
At start of year	392,414	70,493
Additional provision raised	388,738	394,233
Utilised during the year	(355,635)	(72,312)
At end of year	425,517	392,414

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

Leave pay and incentive scheme

In terms of the group policy, employees are entitled to accumulate a maximum of 20 days compulsory leave. Compulsory leave has to be taken within 12 months of earning it.

In terms of the Company policy, selected employees at the discretion of directors receive an incentive bonus which is payable every year. The incentive bonus relates to employee, corporate and divisional performance and is approved by the Managing Director.

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, 2020	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

	2020 Ushs'000	2019 Ushs'000
Statutory reserves		
<i>Contingency reserve</i>		
At 1 January	4,588,434	4,172,134
Additional transfer	401,950	416,300
At 31 December	4,990,384	4,588,434

The contingency reserve is set up under Section 47(3) (b) of the Insurance Act, 2017 Laws of Uganda. 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.

	2020 Ushs'000	2019 Ushs'000
<i>Capital reserve</i>		
At 1 January	1,320,495	1,188,596
Additional transfer	130,191	131,899
At 31 December	1,450,686	1,320,495

Capital base reserve is set up as a requirement under the Insurance Act, 2017 Laws of Uganda, 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. An annual transfer to capital reserves of Ushs 130 million (2019: Ushs 131million) 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 2020, retained earnings amounted to Ushs 7.1 billion (2019: Ushs 5.1 billion). The movement is shown in the statement of changes in equity.

28. Deferred income tax

Year ended 31 December 2020	At start of the year Ushs'000	SCI Charge Ushs'000	At end of the year Ushs'000
Deferred income tax liabilities			
Accelerated depreciation	21,506	(10,271)	11,235
Total deferred income tax liabilities	21,506	(10,271)	11,235
Deferred income tax assets			
Short term timing differences			
Movement in reserves and provisions	(1,434,766)	55,411	(1,379,355)
Total deferred income tax assets	(1,434,766)	55,411	(1,379,355)
Net deferred income tax (asset)/ Liability	(1,413,260)	45,140	(1,368,120)

Year ended 31 December 2019

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)

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 Muljibhai Madhvani & Company Limited (formerly 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.

29. Related party disclosures (continued)

- 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	2020 Ushs'000	2019 Ushs'000
Insurance premium revenue	12,486,275	11,606,928
Net commission expense	2,432,752	2,165,039
Net claims paid	1,785,164	1,651,262
Joint venture profit commission	4,025,807	3,824,445
Cash held at Stanbic Bank Uganda Limited	1,293,228	3,156,819
Director's fees	12,500	16,000
Bank Charges	16,262	49,135
IT and HR support services	22,391	22,391
Total	22,074,379	22,492,019

Related party transactions with shareholding companies

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

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

29. Related party disclosures (continued)

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

Muljibhai Madhvani & Company Limited (formerly Madhvani Group Limited)

Item	2020 Ushs'000	2019 Ushs'000
Insurance premium revenue	25,378	29,578
Management fees for administration services	-	428,857
Rent for office premises	300,625	275,170
Directors' fees	100,500	93,500
Dividends	-	-
Total	426,503	827,105

Liberty Holdings Limited

Management fees for administration services	250,000	1,783,079
Directors' fees	40,500	40,500
Dividends	-	-
Total	290,500	1,823,579

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

	2020 Ushs'000	2019 Ushs'000
Insurance premium revenue	149,664	131,662
Reinsurance premiums ceded	454,246	916,988
Commission income	119,892	232,384
Reinsurance claims recovered	615,496	192,611
Reinsurance profit commission	-	362,188
Total	1,339,298	1,835,833

Liberty Health South Africa (PTY) Limited

	2020 Ushs'000	2019 Ushs'000
Administration fees as per the health reinsurance treaty	1,867,821	2,709,426

Liberty Life Assurance Kenya Limited

	2020 Ushs'000	2019 Ushs'000
Internal audit fees	102,500	77,974

Liberty Holdings Kenya Limited

	2020 Ushs'000	2019 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:

	2020 Ushs'000	2019 Ushs'000
Liberty Holdings limited (South Africa)	530,697	1,485,026
Liberty Life Assurance Kenya Ltd	-	77,974
Stanbic Bank Uganda Limited	4,025,807	3,824,445
Muljibhai Madhvani & Company Limited	-	215,552
	4,556,504	5,602,997

Directors' emoluments

Executive	2020 Ushs'000	2019 Ushs'000
Directors' fees	229,000	222,000

Key management compensation

Salaries and wages	800,706	755,756
Gratuity	187,253	-
Other staff costs	115,987	128,127
National Social Security Fund Contributions	80,071	75,576
	1,184,017	959,459

30. Cash generated from operations

	2020 Ushs'000	2019 Ushs'000
Profit before income tax	3,702,457	3,663,506
Adjustments for:		
Depreciation on PPE (Note 20)	190,800	176,045
Amortisation of intangible assets (Note 19)	28,434	28,434
Depreciation of ROU (Note 21)	305,213	299,799
Interest expense on the lease liability (Note 9)	80,629	101,565
IFRS 9 expected credit loss provision (Note 11b)	5,401	33,040
Effect of foreign exchange movement on leases (Note 21)	(16,685)	-
Operating profit before working capital changes	4,296,249	4,302,389
Working capital changes:		
Prepayments, insurance and other receivables	(607,532)	899,714
Policyholders' liabilities	(523,288)	(949,818)
Employee benefits	33,103	321,921
Amount due to related parties	(1,046,493)	(538,684)
Insurance and other payables	(554,876)	(3,536,219)
Cash flows generated from operations	1,597,163	499,303

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.

32. Fair value of financial instruments (Continued)

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.

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.

2020	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	-	129,600	-	129,600

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

The Company holds 54 shares in Uganda Re valued at a share price of Ushs 2,400,000 each (2019: 50 shares) 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 2019 and 2018 respectively. During the Uganda Re paid Dividends amounting to Ushs 9,600,000 Which was converted to shares at a share price of Ushs 2,400,000 each.

There were no movements between levels during the year.

The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy;

32. Fair value of financial instruments (continued)

	2020 Ushs'000	2019 Ushs'000
At 1 January 2019	104,200	95,000
Issue of additional shares	9,600	-
Fair value gain	15,800	9,200
At 31 December 2019	129,600	104,200

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 Ushs'000	Level 2 Ushs'000	Total Fair value Ushs'000	Total Carrying Amount Ushs'000
At 31 December 2020				
Assets				
Cash and short-term deposits	3,708,043	-	3,708,043	3,704,418
Statutory Security Deposit	-	582,663	582,663	581,360
Government securities at amortised cost	-	13,097,050	13,097,050	13,069,365
Fixed deposits at amortised cost	-	2,400,466	2,400,466	2,394,638
Unit trust investment	-	430,306	430,306	430,306
Insurance and other receivables (excluding prepayments)	-	6,786,330	6,786,330	6,786,330
Liabilities				
Policyholder Liabilities	-	6,674,999	6,674,999	6,674,999
Employee benefits	-	425,517	425,517	425,517
Amounts due to group companies	-	4,556,504	4,556,504	4,556,504
Lease liabilities	-	1,867,870	1,867,870	1,867,870
Insurance and other payables	-	1,519,761	1,519,761	1,519,761
At 31 December 2019				
Assets				
Cash and short-term deposits	5,339,534	-	5,339,534	5,336,018
Statutory Security Deposit	-	533,464	533,464	530,926
Government securities at amortised cost	-	11,971,990	11,971,990	11,894,433
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
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Liabilities

Policyholder Liabilities

-	7,198,287	7,198,287	7,198,287
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Employee benefits

-	392,414	392,414	392,414
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Amounts due to group companies

-	5,602,997	5,602,997	5,602,997
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Lease liabilities

-	1,121,828	1,121,828	1,121,828
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Insurance and other payables

-	2,074,637	2,074,637	2,074,637
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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 2020, 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

No material events or circumstances have arisen between the accounting date and the date of the report which would cause the Company to adjust its financial statements.

35. COVID-19 Impact Assessment

The outbreak of the COVID-19 pandemic and the measures adopted by the Ugandan government to mitigate the pandemic's spread did not have a significant impact on the performance of the Company for the year ended 31 December 2020.

The directors have made an assessment of the impact of Covid-19 and believe this will not have a significant impact on their operations given that insurance is considered an essential service, the cases have significantly reduced and the emergence of the Covid-19 Vaccine. A provision of Ushs 442 million Covid-19 reserve has been recognized to cater for any unforeseen events resulting from this pandemic

Revenue Account for the year ended 31 December 2020

	Individual Life	Group Life	Group credit	Health	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Gross premium	417,020	4,066,758	15,403,976	20,307,227	40,194,981
Premiums ceded	-	(605,892)	(1,104,692)	(12,559,942)	(14,270,526)
Net premium	417,020	3,460,866	14,299,284	7,747,285	25,924,455
Investment Income	38,160	372,138	1,409,577	40,220	1,860,095
Other income	(1,241)	(12,099)	(45,830)	-	(59,170)
Commission received on reinsurance	-	95,656	172,603	-	268,259
Total contributions	453,939	3,916,561	15,835,634	7,787,505	27,993,639
Claims incurred	(91,437)	(1,476,922)	(3,399,588)	(12,471,716)	(17,439,663)
Claims recoverable	-	680,000	746,805	11,452,616	12,879,421
Net claims paid	(91,437)	(796,922)	(2,652,783)	(1,019,100)	(4,560,242)
Commission paid	(74,803)	(940,741)	(3,137,734)	(1,391,987)	(5,545,265)
Management expenses	(463,400)	(2,719,829)	(6,276,302)	(4,587,053)	(14,046,584)
Net claims & Expenses	(629,640)	(4,457,492)	(12,066,819)	(6,998,140)	(24,152,091)
Change in actuarial reserves	6	26,466	(346,853)	181,290	(139,091)
Profit before tax	(175,695)	(514,465)	3,421,962	970,655	3,702,457
Income tax expense	-	-	(807,443)	(291,197)	(1,098,640)
Profit after tax	(175,992)	(517,365)	2,614,519	679,458	2,603,817
Transfer to Contingency Reserve	4,170	40,668	154,040	203,072	401,950

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)	(218,246)	-	(280,465)
Commission received on reinsurance	-	285,841	1,092,761	-	1,378,602
Total Contributions	399,640	3,850,399	16,505,081	10,339,959	31,095,079
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	2,319,445	880,489	3,663,506
Income tax expense	(7,855)	(131,217)	(622,303)	(264,147)	(1,025,522)
Profit after tax	18,328	306,172	1,697,142	616,342	2,637,984
Transfer to Contingency Reserve	3,803	42,314	161,766	208,417	416,300



LIBERTY
In it with you

Be your neighbor's Keeper,
Keep your **Mask On.**

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Congratulations Team Liberty



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