LIBERTY

Liberty Holdings Limited

Financial results 2018

For the year ended 31 December

HIGHLIGHTS

NORMALISED OPERATING EARNINGS

R2,0 billion

↑ 42%

EMBEDDED VALUE OF NEW BUSINESS

R371 million

↑ 59%

OPERATIONAL GROUP EQUITY VALUE PROFITS

R3,1 billion

↑ 18%

LIBERTY GROUP LIMITED SCR COVER

1,87 times

LONG-TERM INSURANCE NET CUSTOMER CASH INFLOWS

R2,0 billion

↑ 22%

STANLIB SOUTH AFRICA NET CUSTOMER CASH INFLOWS

R16,2 billion

↑ >100%

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FINANCIAL PERFORMANCE INDICATORS

for the year ended 31 December 2018

Rm (unless otherwise stated)	2018	2017	% change
Liberty Holdings Limited			
Earnings			
Normalised headline earnings[1]	2 256	2 719	(17,0)
Normalised headline earnings per share (cents)[1]	817,9	982,1	(16,7)
Normalised return on IFRS equity (%)[1]	10,1	12,3	
Group equity value			
Normalised group equity value per share (R)[1]	138,64	140,31	(1,2)
Normalised return on group equity value (%)[1]	3,8	1,1	>100
Distributions per share (cents)			
Normal dividend	691	691	
Interim dividend	276	276	
Final dividend	415	415	
Total assets under management (Rbn)	718	720	(0,3)
Long-term insurance operations			
Indexed new business (excluding contractual increases)	8 051	8 018	0,4
Embedded value of new business	371	233	59,2
New business margin (%)	0,9	0,5	
Net customer cash inflows	2 001	1 634	22,5
Solvency capital requirement cover of Liberty Group Limited (times covered)[2]	1,87		
Asset management – STANLIB South Africa			
Assets under management (Rbn)	549	556	(1,3)
Net cash inflows including money market[3]	16 149	4 731	>100
Retail and institutional net cash inflows excluding money market[3]	9 155	4 815	90,1
Money market net cash inflows/(outflows)[3]	6 994	(84)	>100

(1) *Normalised: headline earnings, headline earnings per share, return on equity, group equity value per share and return on group equity value. These measures reflect the economic reality of the consolidation of the listed REIT Liberty Two Degrees (L2D) and the Black Economic Empowerment (BEE) transaction, as opposed to the required IFRS accounting treatment.*

(2) *Solvency capital requirement cover (effective from 1 July 2018) is the excess of assets over liabilities required by an insurer to ensure that its assets remain larger than its liabilities with a 99.5% level of certainty over a one year time horizon, with assets and liabilities valued in accordance with the Insurance Act, 2017. This replaces the capital adequacy requirement cover that was reported previously under the old regime, hence no comparative information is provided.*

(3) *Excludes intergroup life funds.*

Preparation and supervision:
This announcement on Liberty Holdings Limited annual financial results for the year ended 31 December 2018 has been prepared and supervised by M Norris (Executive: Group Finance) CA (SA) and Y Maharaj (Financial Director) CA (SA).

FINANCIAL REVIEW

for the year ended 31 December 2018

Good progress made in delivering Liberty's turnaround strategy

Highlights

In supporting our clients through their life journeys and fulfilling our promises to them, annuity payments made by Liberty in 2018 increased by 7% to R5,8 billion and death and disability payments increased by 11% to R9,4 billion.

Progress made on the key strategic objectives to better support our clients by improving the investment performance of STANLIB and restoring the health of the South African Retail insurance business is starting to manifest in the group's financial performance. Normalised operating earnings were up 42% on 2017. Strong cost discipline together with product and margin enhancements resulted in a 59% improvement in group value of new business (VoNB) to R371 million, with margin improvement to 0.9%. STANLIB South Africa reflected improved investment performance in its core retail equity and balanced funds, achieving top quartile performance over the 12 months ended 31 December 2018. STANLIB South Africa's net external third party client cash inflows increased significantly to R16,1 billion. Supporting these outcomes was the organisational re-design exercise to reconnect the value chains in our business. In addition, certain operations identified as no longer central to Liberty's revised strategy are under ownership review.

The group's capital position remains strong, with the Solvency Capital Requirement cover of Liberty Group Limited, the group's main long-term insurance licence, at 1,87 times at 31 December 2018 which is at the upper end of the target range and underpins our commitment to fulfil our promises to policyholders and other stakeholders.

Group financial performance

Normalised operating earnings for the year ended 31 December 2018 of R2 006 million were up 42% on 2017, reflecting an improved operational performance in the South African Insurance Operations and STANLIB South Africa businesses. LibFin Investments - Shareholder Investment Portfolio (SIP) earnings of R250 million were however impacted by volatile market conditions and lower market returns which resulted in normalised headline earnings of R2 256 million for the year (31 December 2017: R2 719 million). This resulted in a return on equity of 10,1% (31 December 2017: 12,3%).

The group VoNB of R371 million was 59% up from R233 million in the prior year with margin improvement from 0.5% to 0.9%.

Group net external third party client cash inflows amounted to R10,2 billion, up 57% on 2017 inflows of R6,5 billion, supported mainly by good STANLIB South Africa net external third party client inflows as well as lower policy maturities and withdrawals in the SA Insurance Operations. Total group assets under management amounted to R718 billion (31 December 2017: R720 billion).

Continued focus on sales efforts and volumes resulted in an improved second half sales performance, with the group long-term insurance indexed new business of R8 051 million at similar levels to 2017 despite a slow start to the year.

The group remains well capitalised in respect of the new prudential regulatory regime, which became effective from 1 July 2018. The Solvency Capital Requirement Cover of Liberty Group Limited, the group's main long-term insurance licence, of 1,87 times at 31 December 2018 is at the upper end of our target range and underpins our commitment to fulfil our promises to policyholders and other stakeholders.

Group equity value per share was R139 (31 December 2017: R140) with the small reduction attributable to lower investment returns in line with investment markets.

Headline earnings for 2018 amounted to R2 645 million compared to R3 252 million in 2017. Liberty's headline earnings include the positive earnings impact of R397 million (31 December 2017: R543 million) arising from the accounting mismatch on the consolidation of the Liberty Two Degrees listed REIT.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2018

Earnings by business unit

Rm (Unaudited)	2018	2017	% change
South African operations			
South African Insurance Operations	2 009	1 665	20,7
SA Retail	1 581	1 208	30,9
Liberty Corporate	52	81	(35,8)
LibFin Markets – credit portfolio	302	330	(8,5)
LibFin Markets – asset/liability matching portfolio	74	46	60,9
South African Asset Management			
STANLIB South Africa	355	252	40,9
Africa regions	8	7	14,3
Liberty Africa Insurance	(19)	41	(>100)
STANLIB Africa	27	22	22,7
Business development support[1]		(56)	100
Operations under ownership review[2]	(166)	(322)	48,4
Central costs and sundry income	(200)	(190)	(5,3)
Normalised operating earnings	2 006	1 412	42,1
LibFin Investments – SIP	250	1 307	(80,9)
Normalised headline earnings	2 256	2 719	(17,0)
BEE preference share adjustment	(8)	(10)	20,0
Reversal of accounting mismatch arising on consolidation of L2D[3]	397	543	(26,9)
Headline earnings	2 645	3 252	(18,7)

(1) *2017 includes the costs associated with the terminated long-term licence acquisition in Nigeria.*
(2) *The cash-generating units impacted are asset management operations in Ghana, Uganda, Kenya and Botswana, Health solutions, the short-term insurance technology start up and Liberty Africa Insurance short-term insurance business in Malawi and Namibia. Under IFRS these are disclosed as disposal groups classified as held for sale.*
(3) *Refer to Explanation of terms.*

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

South African Insurance Operations

South African Insurance Operations comprise the SA Retail (previously Individual Arrangements), Liberty Corporate and LibFin Markets (credit portfolio and asset liability matching portfolio) businesses. Headline earnings of R2 009 million were up 21%.

SA Retail

Headline earnings from the group's South African Retail business of R1 581 million were 31% up on the prior year. This increase was supported by stringent cost management, together with positive experience variances and the positive impact of basis changes.

Indexed new business sales of R6 495 million were 1% down on 2017. The tough economic conditions continued to impact sales volumes in 2018. However, the second half sales performance reflected an improvement over the first half of 2018. Growth in sales volumes and VoNB remains management's highest priority.

VoNB increased by 75% from R155 million in the prior year to R271 million, and the margin improved from 0,5% at 31 December 2017 to 0,8%. This result is attributable to the positive impact of product and margin enhancements and focused cost management. Net client cash inflows of R2 065 million were lower than 31 December 2017 of R2 846 million. Ongoing retention initiatives reflecting favourable withdrawal experience were offset by higher mortality and morbidity claims and annuity payments.

Liberty Corporate

Earnings of R52 million reflected high death claims in the second half of the year and lower annuity and asset based fee income. Following repricing, underwriting margin on the group risk book did, however, improve compared to 2017.

Indexed new business was 2% above the prior year at R1 192 million, reflecting increased single premium sales. VoNB increased to R73 million from R57 million in 2017, reflecting an improvement in product mix and good expense management. Lower net client cash outflows of R0,4 billion (31 December 2017: outflows of R1,5 billion) were due to increased single premium sales and reduced member retirements and scheme terminations.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2018

LibFin Markets – Asset liability management and credit portfolio

The asset liability management portfolio, which consists of the market and liquidity risk exposures arising from the guaranteed investment product set, produced a profit of R74 million (31 December 2017: R46 million). Earnings from the credit portfolio amounted to R302 million (31 December 2017: R330 million). LibFin Markets assets under management amounted to R65 billion (31 December 2017: R62 billion).

South African Asset Management

STANLIB South Africa

STANLIB South Africa earnings were up 41% to R355 million. Fee income was lower in 2018 mainly due to weak investment market returns. The prior year earnings were impacted by once off operational write-offs. Costs were well managed during 2018 and management has continued to strengthen the control environment with a focus on improving the overall financial results.

Net external third party client cash inflows grew to R16,1 billion from R4,7 billion in 2017. This result was attributable to good institutional non-money market as well as retail and institutional money market inflows. Intragroup cash outflows for the year amounted to R17,0 billion.

Total assets under management by STANLIB South Africa amounted to R549 billion (31 December 2017: R556 billion) with the reduction from 2017 mainly attributable to weak market returns.

Africa regions

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

Earnings for the year of R8 million from these businesses were negatively impacted by generally lower investment market returns and adverse claims experience in the short-term insurance businesses in East Africa. The asset management operations performed according to expectation.

Operations under ownership review

As part of the strategy refresh exercise, various operations have been identified as no longer central to Liberty's revised strategy. Consequently a process of negotiations with potential partners has commenced.

These operations include the asset management businesses in East and West Africa, Liberty Health, Liberty Africa Insurance's short-term insurance businesses in Malawi and Namibia and the short-term insurance technology platform being developed in South Africa.

The 2018 loss of R166 million is significantly reduced compared to the prior year loss of R322 million due to the successful remedial action taken in the STANLIB East African businesses. The Liberty Heath loss of R78 million was attributable to the lower number of risk lives under management.

LibFin Investments – Shareholder Investment Portfolio (SIP)

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

The performance of the SIP was impacted by volatile market conditions resulting in lower market returns. These conditions resulted in the SIP producing a gross return of 3,7% and delivering earnings of R250 million (31 December 2017: R1 307 million). The SIP exposure to investment markets remains appropriate in the context of the group's risk appetite.

Liberty Two Degrees (L2D)

L2D was restructured and converted to a corporate REIT on 1 November 2018. L2D's results for the year ended 31 December 2018 were released on 25 February 2019. The operational performance of the property portfolio remained solid notwithstanding a difficult consumer environment. The total distribution declared for 2018 amounted to 60,00 cents per share which was in line with previously reported guidance (2017: 59,22 cents per share). Portfolio vacancies decreased to 3,4% from 6,4% with retail vacancies at 1,2%. Further details on the results are available on the L2D website and in the L2D results announcement.

Bancassurance

The bancassurance agreement with Standard Bank, which is applicable across the group's operations, continues to make a positive contribution to new business volumes and earnings. The total indexed new business premiums sold under the agreement increased by 4% on the prior year. We continue leveraging our joint capabilities with Standard Bank to capture appropriate opportunities.

Liberty's short-term insurance technology platform has been sold to Standard Bank Group effective 2 January 2019. Notwithstanding the sale of the technology platform to Standard Bank Group, the transaction ensures that Liberty's short-term insurance offering will still be available to Liberty's financial advisers in the South African market to enhance the comprehensive product offering available to clients.

Capital adequacy cover

The group remains well capitalised in respect of the new prudential regulatory regime, which became effective from 1 July 2018. The Solvency Capital Requirement cover of Liberty Group Limited, the group's main long-term insurance licence, of 1,87 times at 31 December 2018 is at the upper end of the target range and underpins our commitment to fulfil our promises to policyholders and other stakeholders.

All other group subsidiary life licences were adequately capitalised.

FINANCIAL REVIEW (CONTINUED)

for the year ended 31 December 2018

Dividends

2018 final dividend

In line with the group's dividend policy, the board has approved and declared a gross final dividend of 415 cents per ordinary share. The final dividend will be paid out of income reserves and is payable on Monday, 8 April 2019 to all ordinary shareholders recorded in the books of Liberty Holdings Limited on the record date.

The dividend of 415 cents per ordinary share will be subject to a local dividend tax rate of 20%, which will result in a net final dividend, to those shareholders who are not exempt from paying dividend tax, of 332 cents per ordinary share. Liberty Holdings Limited's income tax number is 9050/191/71/8. The number of ordinary shares in issue in the company's share capital at the date of declaration is 286 202 373.

The important dates pertaining to the dividend are as follows:

Last date to trade *cum* dividend on the JSE	Tuesday, 2 April 2019
First trading day *ex* dividend on the JSE	Wednesday, 3 April 2019
Record date	Friday, 5 April 2019
Payment date	Monday, 8 April 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 April 2019 and Friday, 5 April 2019, both days inclusive. Where applicable, in terms of instructions received by the company from certificated shareholders, the payment of the dividend will be made electronically to shareholders' bank accounts on payment date.

In the absence of specific mandates, cheques will be posted to shareholders. Shareholders who have dematerialised their shares will have their accounts with their CSDP or broker credited on Monday, 8 April 2019.

Prospects

In summary, good progress is being made in implementing Liberty's turnaround strategy.

Management's focus for 2019 will be on driving SA Retail performance and VoNB growth by delivering exceptional client and adviser experiences, continuing to improve the investment performance of STANLIB, finalising outcomes for each of the group's operations under ownership review and continuing to maximise our relationship with the Standard Bank Group.

We expect the South African economic environment to remain subdued for the first half of 2019, however, we remain confident that focus is on the right areas of the business to create value for all stakeholders.

David Munro
Chief Executive

Jacko Maree
Chairman

28 February 2019

Transfer Secretaries

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Sponsor

Merrill Lynch
A subsidiary of
Bank of America Corporation

LIBERTY

Liberty Holdings Limited
Incorporated in the Republic of South Africa
(Registration number: 1968/002095/06)
JSE code: LBH
ISIN code: ZAE000012714
Preference share code: LBHP
ISIN code: ZAE000004040
Telephone +27 11 408 3911

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

ACCOUNTING POLICIES

The 2018 consolidated annual financial statements of Liberty Holdings Limited have been prepared in accordance with and contain information required by:

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

The consolidated annual financial statements have been prepared in compliance with IFRS and interpretations for year ends commencing on or after 1 January 2018.

The accounting policies are consistent with those applied in the prior year except for the mandatory adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The group has elected to apply the hedge accounting requirements of IAS 39 in the adoption of IFRS 9.

Under the transitional approach adopted by the group for these standards, there was no change to comparative period primary financial statements or note disclosures. The impact to the group's opening retained income as at 1 January 2018 was a reduction of R121 million, after taxation (relating to IFRS 9 only). Consequential amendments to IAS 1 *Presentation of Financial Statements* and IFRS 7 *Financial Instruments: Disclosures* impacted only the 2018 annual financial statements.

Presentation change due to IFRS 9, adopted in line with the group's transition approach

The group re-assessed its accounting presentation policy of all IFRS 9 related transactions. As part of the IFRS 9 implementation, all income statement movements, including interest income, dividends and finance costs, on financial instruments held at fair value through profit or loss are prospectively presented as fair value adjustments. This has led to a decrease in 'investment income' and 'finance costs' for the year ended 31 December 2018, with the corresponding amounts recognised in fair value adjustments to financial assets held at fair value through profit or loss and to fair value adjustments to financial liabilities respectively.

Restatement of cash flow statement

During 2018 a comprehensive review of the group's long-term insurance business model was undertaken in light of the adoption of IFRS 9. In addition consideration was also given to the new regulatory capital regime effective 1 July 2018 and the enterprise risk management framework. All of the above support a change in key judgement relating to the appropriateness of cash flows relating to investment portfolios backing policyholder liabilities and supporting regulatory and group risk adjusted minimum capital levels. It was determined that these would be better reflected as cash flows from operating activities rather than as previously reflected as cash flows from investing activities. Due to the materiality of items, the cash flow statement for 2017 has been restated.

Segment reporting

The Liberty group underwent a strategy refresh during 2018. Consequently Liberty has reduced emphasis on growth opportunities across Africa as well as other diversification initiatives and increased remedial efforts on its core long-term insurance and asset management business in South Africa. There are no longer specific customer facing units (previously being Individual Arrangements, Group Arrangements and Asset Management). The primary segments, aligned to the new operating model, operate within two main geographic clusters, being South African operations and Africa regions (defined as all operations in Africa, excluding South Africa).

The South African operations consists of long-term insurance business, namely SA Retail and Liberty Corporate segments, asset management, namely STANLIB South Africa and other operations (governance and strategic execution and certain investment portfolios), supporting these businesses. Businesses managed in Africa regions, are segmented as Liberty Africa Insurance, Liberty Health and STANLIB Africa (asset management).

As a result, the segment reporting information has been aligned to the information used by the chief operating decision makers. 2017 comparative information has been restated.

New standards not yet effective

Based on Liberty's current lease obligations, IFRS 16 *Leases* (effective 1 January 2019) does not have a material impact to profit or loss on adoption in 2019. IFRS 17 *Insurance Contracts* (effective 1 January 2022, following IASB due process) will have significant financial reporting impact for the group. Management is assessing this impact under a focussed project.

AUDITOR STATEMENT

PricewaterhouseCoopers Inc. (PwC) have audited the consolidated annual financial statements of Liberty Holdings Limited from which the summary consolidated financial results have been extracted. These summary consolidated financial results comprise the consolidated statement of financial position at 31 December 2018, the consolidated statement of comprehensive income, summary consolidated changes in equity and summary consolidated cash flows for the year then ended and selected explanatory notes. These statements and related notes are marked as 'audited'. This announcement itself is not audited.

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

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

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

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

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

DIRECTORS' RESPONSIBILITY

The summary consolidated annual financial statements included in this announcement are the full responsibility of the directors. The directors confirm that the financial information has been correctly extracted from the underlying 2018 audited consolidated Liberty Holdings Limited annual financial statements which are available for inspection at the company's registered office on request.

EXPLANATION OF TERMS

Development costs

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

FCTR

Foreign Currency Translation Reserve.

FVOCI

Fair value through other comprehensive income

FVPL

Fair value through profit or loss

"Liberty" or "group"

Represents the collective of Liberty Holdings Limited and its subsidiaries.

Long-term insurance operations – Indexed new business

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

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

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

Short-term insurance operations – Claims loss ratio

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

Solvency capital requirement (SCR)

The prudential regulatory regime governing South African assurance companies changed on 1 July 2018. This has necessitated a change to Liberty's capital requirement coverage methodology. The SCR is the excess of assets over liabilities required by an insurer to ensure that its assets remain larger than its liabilities with a 99.5% level of certainty over a one year time horizon, with assets and liabilities valued in accordance with the Insurance Act, 2017.

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

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

BEE transaction

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

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

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

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

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

L2D adjustment in group equity value

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

Summary of impact

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

Rm	Group equity value Total	IFRS net asset value	SIP equity value adjustment
Opening adjustment at 1 January 2018	597	340	257
IFRS profit or loss	397	397	
Group equity value earnings	207		207
Transaction between owners	(260)	(214)	(46)
Share issue costs	(1)	(1)	
Closing adjustment at 31 December 2018	**940**	**522**	**418**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

Rm (Audited)	2018	2017
Assets		
Intangible assets	572	231
Defined benefit pension fund employer surplus	140	171
Properties	35 961	34 768
Equipment	1 038	1 128
Interests in joint ventures	1 353	1 244
Interests in associates	13 834	15 197
Deferred taxation	245	336
Deferred acquisition costs	777	737
Long-term policyholder assets – insurance contracts	6 708	7 484
Reinsurance assets	2 119	1 774
Long-term insurance	1 699	1 481
Short-term insurance	420	293
Financial investments	328 365	338 534
Loans and receivables	340	1 222
Assets held for trading and for hedging	10 340	7 871
Repurchase agreements, scrip and collateral assets	12 658	11 900
Prepayments, insurance and other receivables	4 953	6 361
Cash and cash equivalents	16 974	15 169
Disposal group assets classified as held for sale	897	
Total assets	437 274	444 127
Liabilities		
Long-term policyholder liabilities	310 994	322 918
Insurance contracts	200 744	210 554
Investment contracts with discretionary participation features	10 437	11 845
Financial liabilities under investment contracts	99 813	100 519
Reinsurance liabilities	283	663
Third-party financial liabilities arising on consolidation of mutual funds	48 186	49 713
Provisions	145	76
Deferred taxation	2 694	3 386
Deferred revenue	314	291
Deemed disposal taxation liability		436
Short-term insurance liabilities	984	780
Financial liabilities	8 104	5 581
Liabilities held for trading and for hedging	8 457	6 311
Repurchase agreements, liabilities and collateral deposits payable	11 747	9 097
Employee benefits	1 377	1 446
Insurance and other payables	11 971	11 995
Current taxation	347	1 043
Disposal group liabilities classified as held for sale	278	
Total liabilities	405 881	413 736
Equity		
Ordinary shareholders' equity	23 003	22 444
Share capital	26	26
Share premium	5 104	5 157
Retained surplus	18 661	18 163
Other reserves	(788)	(902)
Non-controlling interests	8 390	7 947
Total equity	31 393	30 391
Total equity and liabilities	437 274	444 127

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

Rm (Audited)	2018	2017
Revenue		
Insurance premiums	40 611	39 970
Reinsurance premiums	(2 090)	(1 950)
Net insurance premiums	38 521	38 020
Revenue from contracts with customers	4 073	
Fee income and reinsurance commission		3 683
Hotel operations sales		532
Investment income	3 316	21 652
Interest income on financial assets using the effective interest rate method	1 516	
Fair value adjustment to assets held at fair value through profit or loss	3 078	
Investment gains		18 835
Total income	50 504	82 722
Claims and policyholder benefits under insurance contracts	(39 504)	(38 819)
Insurance claims recovered from reinsurers	1 571	1 800
Change in long-term policyholder assets and liabilities	11 449	(6 829)
Liabilities under insurance contracts	10 024	(6 504)
Policyholder assets related to insurance contracts	(776)	170
Investment contracts with discretionary participation features	1 607	(521)
Applicable to reinsurers	594	26
Fair value adjustment to long-term policyholder liabilities under investment contracts	1 273	(9 116)
Fair value adjustment to financial liabilities	(1 381)	
Fair value adjustment on third party mutual fund interests	(2 407)	(4 619)
Acquisition costs	(4 413)	(4 935)
General marketing and administration expenses	(11 184)	(11 345)
Finance costs	(110)	(1 344)
Profit share allocations under bancassurance and other agreements	(1 284)	(972)
Remeasurement of disposal groups classified as held for sale	(249)	
Equity accounted earnings from joint ventures	32	25
Profit before taxation	4 297	6 568
Taxation[1]	(1 255)	(2 864)
Total earnings	3 042	3 704
Other comprehensive income/(loss)	369	(233)
Items that may be reclassified subsequently to profit or loss	269	(95)
Net change in fair value on cash flow hedges	(9)	75
Income and capital gains tax relating to net change in fair value on cash flow hedges	3	(21)
Net change in debt instruments measured at FVOCI	42	
Income tax relating to movement in debt instument measured at FVOCI	(12)	
Foreign currency translation	245	(149)
Items that may not be reclassified subsequently to profit or loss	100	(138)
Owner-occupied properties – fair value adjustment	19	(67)
Income and capital gains tax relating to owner-occupied properties fair value adjustment	2	(14)
Change in long-term policyholder insurance liabilities (application of shadow accounting)	2	(32)
Actuarial gains on post-retirement medical aid liability	70	45
Income tax relating to post-retirement medical aid liability	(20)	(13)
Net adjustments to defined benefit pension fund[2]	(30)	(41)
Income tax relating to defined benefit pension fund	8	(16)
Fair value adjustments to financial liabilities arising from own credit	68	
Income tax relating to fair value adjustments to financial liabilities arising from own credit	(19)	
Total comprehensive income	3 411	3 471
Total earnings attributable to:		
Shareholders' equity	2 398	3 118
Non-controlling interests	644	586
	3 042	3 704
Total comprehensive income attributable to:		
Shareholders' equity	2 680	2 932
Non-controlling interests	731	539
	3 411	3 471
Basic and fully diluted earnings per share	Cents	Cents
Basic earnings per share	889,1	1 152,6
Fully diluted basic earnings per share	863,7	1 120,7

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

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

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

Rm (Audited)	2018	2017
Balance of ordinary shareholders' equity at 1 January	22 444	21 676
IFRS 9 transition adjustment	(121)	
Ordinary dividends	(1 941)	(1 942)
Total comprehensive income	2 680	2 932
Cash flow hedge recycled through profit and loss on early settlement	12	
Share buy-back[1]	(247)	(350)
Black economic empowerment transaction	33	32
Share-based payments	94	99
Preference dividends	(2)	(2)
Share issue costs in subsidiary	(1)	
Transactions between owners	52	(1)
Ordinary shareholders' equity	23 003	22 444
Balance of non-controlling interests at 1 January	7 947	7 330
Total comprehensive income	731	539
Acquisition of unincorporated property partnerships		87
Unincorporated property partnerships net distributions	(222)	(238)
Non-controlling interests' share of subsidiary distributions	(314)	(133)
Non-controlling interests' share of shares issued in subsidiary		2
Share issue costs in subsidiary	(1)	
Transactions between owners	249	360
Non-controlling interests	8 390	7 947
Total equity	31 393	30 391

[1] *Share buy-backs are purchases of shares from the market to meet employee share-based payment obligations.*

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

Rm (Audited)	2018	Restated 2017[1]
Cash flows from operating activities	**(379)**	**1 829**
Cash utilised by operations	(9 805)	(6 953)
Interest and dividends received[2]	1 516	18 841
Distributions paid	(3 196)	(3 075)
Taxation paid	(3 092)	(1 946)
Net disposal/(purchase) of investments[2]	13 293	(2 495)
Net disposal/(purchase) of other assets	215	(668)
Deposits received on/(repayments of) collateral deposits payable	1 098	(258)
Other operating cash flows	(408)	(1 617)
Cash flows from investing activities	**(512)**	**(289)**
Net disposal of investments	23	128
Net purchase of other assets	(524)	(375)
Acquisition of associate	(10)	
Acquisition of equity accounted joint ventures	(1)	(42)
Cash flows from financing activities	**2 785**	**(1 280)**
Net funding from financial liabilities	1 927	980
Net proceeds on/(repayment of) repurchase agreements liabilities	730	(2 393)
Net cash flows from equity transactions with non-controlling interests	377	483
Share issue cost in subsidiary	(2)	
Share buy-back	(247)	(350)
Net increase in cash and cash equivalents	**1 894**	**260**
Cash and cash equivalents at the beginning of the year	15 169	14 994
Foreign currency translation	129	(85)
Disposal group cash classified as held for sale	(218)	
Cash and cash equivalents at the end of the year	**16 974**	**15 169**

(1) *Refer to Accounting policies.*
(2) *Included in the movement on investments for 2018 is R5 200 million related to dividends received and R11 003 million related to interest income.*

HEADLINE EARNINGS AND EARNINGS PER SHARE

for the year ended 31 December 2018

Rm (unless otherwise stated)/(Audited)	2018	2017
Reconciliation of total earnings to headline earnings attributable to shareholders		
Total earnings attributable to shareholders	2 398	3 118
Preference share dividend	(2)	(2)
Basic earnings attributable to ordinary shareholders	2 396	3 116
Remeasurement of disposal groups classified as held for sale	249	
Impairment of intangible assets		164
Tax on headline earnings adjustable item		(28)
Headline earnings attributable to ordinary shareholders	2 645	3 252
Net income earned on BEE preference shares	8	10
Reversal of the accounting mismatch arising on consolidation of L2D[1]	(397)	(543)
Normalised headline earnings attributable to ordinary shareholders	2 256	2 719
Weighted average number of shares in issue ('000)	269 496	270 348
Normalised weighted average number of shares in issue ('000)	275 842	276 847
Fully diluted weighted average number of shares in issue ('000)	277 407	278 030
Earnings per share	Cents	Cents
Total earnings attributable to ordinary shareholders		
Basic	889,1	1 152,6
Headline	981,5	1 202,9
Normalised headline	817,9	982,1
Fully diluted earnings attributable to ordinary shareholders		
Basic	863,7	1 120,7
Headline	953,5	1 169,7

[1] *Refer to Explanation of terms.*

SUMMARY CONSOLIDATED SEGMENT INFORMATION

for the year ended 31 December 2018

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

	South African operations		
	Insurance operations		
Rm (Audited)	SA Retail	Liberty Corporate	Other operations[1]
Total income	43 890	11 544	2 530
Profit/(loss) before taxation	1 971	199	1 544
Taxation[3]	(803)	(44)	(209)
Total earnings	1 168	155	1 335
Reconciliation of total earnings to headline earnings/(loss) attributable to shareholders			
Total earnings/(loss)	1 168	155	1 335
Attributable to non-controlling interests			(259)
Remeasurement of disposal groups classified as held for sale			
Preference share dividend			(2)
Headline earnings/(loss)	1 168	155	1 074
Net income earned on BEE preference shares			8
Reversal of the accounting mismatch arising on consolidation of L2D			(397)
Normalised headline earnings/(loss)	1 168	155	685
Reconciliation of business unit earnings/(loss) to segment result			
South African operations			
South African Insurance Operations	1 860	149	
SA Retail	1 581		
Liberty Corporate		52	
LibFin Markets – credit portfolio	208	94	
LibFin Markets – asset/liability matching	71	3	
South African Asset Management			
STANLIB South Africa			
Africa regions			
Liberty Africa Insurance			
Liberty Health			
STANLIB Africa			
LibFin Investments – SIP	(699)	6	943
Central costs and sundry income[4]	7		(258)
Normalised headline earnings/(loss)	1 168	155	685

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

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

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

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

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

SUMMARY CONSOLIDATED SEGMENT INFORMATION

(CONTINUED)

for the year ended 31 December 2018

Asset management	Africa regions					
STANLIB South Africa	Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total	Reporting adjustments[2]	IFRS reported
2 802	2 329	912	288	64 295	(13 791)	50 504
493	5	(351)	53	3 914	383	4 297
(138)	(67)	47	(41)	(1 255)		(1 255)
355	(62)	(304)	12	2 659	383	3 042
355	(62)	(304)	12	2 659	383	3 042
	2		(4)	(261)	(383)	(644)
	23	226		249		249
				(2)		(2)
355	(37)	(78)	8	2 645		2 645
				8		8
				(397)		(397)
355	(37)	(78)	8	2 256		2 256
				2 009		
				1 581		
				52		
				302		
				74		
355				355		
	(37)	(78)	8	(107)		
	(37)			(37)		
		(78)		(78)		
			8	8		
				250		
				(251)		
355	(37)	(78)	8	2 256		

SUMMARY CONSOLIDATED SEGMENT INFORMATION

(CONTINUED)

for the year ended 31 December 2018

The audited segment results for the year ended 31 December 2017 are as follows:

	South African operations		
	Insurance operations		
Restated[6] Rm (Audited)	**SA Retail**	**Liberty Corporate**	**Other operations[1]**
Total income	68 161	15 676	4 625
Profit/(loss) before taxation	2 957	223	2 793
Taxation[3]	(1 819)	(62)	(725)
Total earnings	1 138	161	2 068
Reconciliation of total earnings to headline earnings/(loss) attributable to shareholders			
Total earnings/(loss)	1 138	161	2 068
Attributable to non-controlling interests	(1)		(179)
Remeasurement of disposal groups classified as held for sale			(2)
Preference share dividend	13	71	
Headline earnings/(loss)	1 150	232	1 887
Net income earned on BEE preference shares			10
Reversal of the accounting mismatch arising on consolidation of L2D			(543)
Normalised headline earnings/(loss)	1 150	232	1 354
Reconciliation of business unit earnings/(loss) to segment result			
South African operations			
South African Insurance Operations	1 435	220	10
SA Retail	1 208		
Liberty Corporate		81	
LibFin Markets – credit portfolio	192	138	
LibFin Markets – asset/liability matching	35	1	10
South African Asset Management			
STANLIB South Africa			
Africa regions			
Liberty Africa Insurance[4]			
Liberty Health			
STANLIB Africa			
LibFin Investments – SIP	(365)	12	1 660
Central costs and sundry income[5]	80		(316)
Normalised headline earnings/(loss)	1 150	232	1 354

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

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

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

[4] *Includes costs associated with central management support. 2017 includes the costs associated with the terminated long-term licence acquisition in Nigeria.*

[5] *Includes the short-term insurance technology start-up.*

[6] *Refer to Accounting policies.*

SUMMARY CONSOLIDATED SEGMENT INFORMATION

(CONTINUED)

for the year ended 31 December 2018

Asset management	Africa regions					
STANLIB South Africa	**Liberty Africa Insurance**	**Liberty Health**	**STANLIB Africa**	**Total**	**Reporting adjustments[2]**	**IFRS reported**
2 798	2 420	929	287	94 896	(12 174)	82 722
386	121	(134)	(123)	6 223	345	6 568
(134)	(74)	28	(78)	(2 864)		(2 864)
252	47	(106)	(201)	3 359	345	3 704
252	47	(106)	(201)	3 359	345	3 704
	(58)		(3)	(241)	(345)	(586)
				(2)		(2)
		52		136		136
252	(11)	(54)	(204)	3 252		3 252
				10		10
				(543)		(543)
252	(11)	(54)	(204)	2 719		2 719
				1 665		
				1 208		
				81		
				330		
				46		
252				252		
	(11)	(54)	(204)	(269)		
	(11)			(11)		
		(54)		(54)		
			(204)	(204)		
				1 307		
				(236)		
252	(11)	(54)	(204)	2 719		

GROUP EQUITY VALUE REPORT

for the year ended 31 December 2018

1. Introduction

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

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

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

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

2.1 South African (SA) covered business

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

The prudential regulatory regime governing South African assurance companies changed on 1 July 2018. This has necessitated a change to Liberty's embedded value methodology, in particular:

- The assessment of the net worth and value of in-force covered business has been changed to reference the published liabilities in order to improve alignment between the embedded value and published reporting bases. This change has led to an increase in the net worth and a decrease in the value of in-force; and
- The approach used for assessing the cost of required capital has been adjusted to reflect the new solvency regime which has led to an increase in the cost of required capital.

2.2 Other businesses

STANLIB South Africa	Valued using a 10 times (2017: 10 times) multiple of estimated sustainable earnings.
STANLIB Africa	Valued using a combination of estimated sales price where available, if held for sale, or a 10 times (2017: 10 times) multiple of estimated sustainable earnings, adjusted for country risk.
Liberty Health	As Liberty Health is under disposal groups held for sale, the IFRS net asset value has been used which includes remeasurement to fair value, less cost to sell.
Liberty Africa Insurance	Liberty Africa Insurance is an emerging cluster of both long- and short-term insurance businesses located in various African countries outside of South Africa. A combination of valuation techniques including embedded value, discounted cash flow and earnings multiples have been applied to value these businesses. The combined value of this cluster is not material relative to the other components of group equity value and therefore a detailed analysis of this valuation has not been presented. At 31 December 2018 the combined valuations were approximately equal to the group's IFRS net asset value. Therefore the IFRS net asset value was used.
Liberty Holdings	The net market value of assets and liabilities held by the Liberty Holdings Limited company excluding investments in any subsidiaries which are valued separately.

2.3 Liberty Two Degrees (L2D) normalisation adjustment

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

2.4 Other adjustments

These comprise the fair value of share rights allocated to staff not employed by the South African covered businesses, adjusting certain deferred tax assets to current values and allowance for certain shareholder recurring expenses incurred in Liberty Holdings Limited capitalised at a multiple of 9 times (2017: 9 times).

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2018

3. Normalised group equity value

3.1 Analysis of normalised group equity value

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

[(1)]

STANLIB valuation (Rm)	***2018***
STANLIB South Africa	*3 800*
Value at 31 December 2017	*4 450*
Sale of STANLIB REIT Fund Managers (RF) (Pty) Ltd	*(307)*
Fair value adjustment - 2018	*(343)*
STANLIB Africa[(i)]	*330*
Value at 31 December 2017	*150*
Fair value adjustment - 2018	*180*
Total	*4 130*

[(i)] *This includes R46m in respect of Stanlib Africa which is included in the operations under ownership review line item in the table above.*

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

[(3)] *Under IFRS these are disclosed as disposal groups classified as held for sale.*

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2018

3. Normalised group equity value (continued)

3.1 Analysis of normalised group equity value (continued)

2017 Rm (Audited)	SA covered business	Other businesses	Total
Liberty Group Limited consolidated	18 412		18 412
STANLIB South Africa[2]		795	795
STANLIB Africa[2]		100	100
Liberty Health (including Total Health Trust)		299	299
Liberty Africa Insurance		813	813
Liberty Holdings		1 428	1 428
Liberty Two Degrees adjustment to net asset value[3]		597	597
Shareholders' equity reported under IFRS	18 412	4 032	22 444
Difference between statutory and published valuation methods	(7 253)		(7 253)
Negative rand reserves	(6 806)		(6 806)
Deferred acquisition costs	(730)		(730)
Deferred revenue liability	283		283
Subordinated notes	5 581		5 581
CAR of subsidiaries	(10)		(10)
Reverse value of in-force acquired	(12)		(12)
Inadmissible assets	(1 018)		(1 018)
Statutory excess assets over liabilities[1]	15 700	4 032	19 732
Reverse CAR of subsidiaries	10		10
Reverse subordinated notes	(5 581)		(5 581)
Reverse inadmissible assets	1 018		1 018
Frank Financial Services allowance for future expenses	(100)		(100)
Impact of discounting on deferred tax asset		(100)	(100)
BEE preference funding	123		123
Liberty Two Degrees adjustment[3]		(597)	(597)
Allowance for employee share rights	(36)	(36)	(72)
Normalised net worth	11 134	3 299	14 433
Value of in-force – SA Retail	22 088		22 088
Value of in-force – Liberty Corporate	3 049		3 049
Cost of required capital	(1 690)		(1 690)
Fair value adjustment – STANLIB South Africa[2]		3 655	3 655
Fair value adjustment – STANLIB Africa[2]		50	50
Allowance for future shareholder expenses		(2 217)	(2 217)
Normalised equity value	34 581	4 787	39 368

(1) *The adjustments between the IFRS and statutory net asset values for the Liberty Africa subsidiaries have not been included. This is because the group equity value for these entities is set to their IFRS net asset value and so these adjustments do not affect group equity value.*

(2)

STANLIB valuation (Rm)	***2017***
STANLIB South Africa	*4 450*
STANLIB Africa	*150*
Total	*4 600*

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

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2018

3. Normalised group equity value (continued)

3.2 Normalised group equity value earnings and value per share

Rm (Audited)	2018 SA covered business	2018 Other businesses	2018 Total	2017 SA covered business	2017 Other businesses	2017 Total
Normalised equity value at the end of the period	33 687	4 997	38 684	34 581	4 787	39 368
Equity value at the end of the period	34 520	5 005	39 525	34 458	5 384	39 842
Liberty Two Degrees adjustment[1]	(932)	(8)	(940)		(597)	(597)
BEE preference shares	99		99	123		123
Net share buy-backs		247	247		350	350
Funding of restricited share plan	80	(80)		92	(92)	
Intragroup dividends[2]	2 252	(2 252)		2 600	(2 600)	
Dividends paid		1 943	1 943		1 944	1 944
Normalised equity value at the beginning of the period	(34 599)	(4 787)	(39 386)	(34 470)	(6 751)	(41 221)
Equity value at the beginning of the period	(34 458)	(5 384)	(39 842)	(34 322)	(6 421)	(40 743)
Beginning of year adjustment for introduction of new prudential regime[3]	(139)		(139)			
IFRS 9 transition adjustment	121		121			
Liberty Two Degrees adjustment[1]		597	597		(330)	(330)
BEE preference shares	(123)		(123)	(148)		(148)
Normalised equity value earnings	1 420	68	1 488	2 803	(2 362)	441
Normalised return on group equity value (%)	4,1	1,5	3,8	8,2	(36,4)	1,1
Normalised number of shares ('000)			279 025			280 573
Number of shares in issue ('000)			268 418			270 120
Shares held for the employee restricted share scheme ('000)			4 353			4 014
Adjustment for BEE shares ('000)			6 254			6 439
Normalised group equity value per share (R)			138,64			140,31

[1] *This represents the difference between Liberty's share of the net asset value of L2D as at the reporting date and the listed price of L2D shares multiplied by the number of shares in issue to Liberty at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the shareholder investment portfolio.*

In the prior period this adjustment was applied at a Liberty Holdings level. As a result of the transaction between L2D and Liberty Group Limited in 2018 and the consequential reassessment of control as defined under IFRS this adjustment is now required at a Liberty Group Limited consolidated level.

[2] *Dividends paid by Liberty Group Limited to Liberty Holdings Limited.*

[3] *This adjustment and the consequential impact on the components of the embedded value earnings analysis are explained in section 1 of the South African covered business embedded value report.*

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2018

3. Normalised group equity value

3.3 Sources of normalised group equity value earnings

	2018			2017		
Rm (Audited)	**SA covered business**	**Other businesses**	**Total**	SA covered business	Other businesses	Total
Value of new business written in the period	344	27	371	212	21	233
Expected return on value of in-force business	2 433		2 433	2 926		2 926
Variances/changes in operating assumptions	507		507	109		109
Operating experience variances	423		423	330		330
Operating assumption changes	103		103	30		30
Changes in modelling methodology	(19)		(19)	(251)		(251)
New operating model - expense impact[1]	(372)	372				
Development costs	(9)	(99)	(108)	(55)	(166)	(221)
Liberty Holdings shareholder expenses[2]		(369)	(369)		(584)	(584)
Headline earnings of other businesses/intragroup transfers		246	246	46	100	146
Operational equity value profits	2 903	177	3 080	3 238	(629)	2 609
Economic adjustments	(1 473)	417	(1 056)	(432)	(139)	(571)
Return on net worth	2	417	419	(14)	(139)	(153)
Investment variances	(1 225)		(1 225)	(594)		(594)
Change in economic assumptions	(250)		(250)	176		176
Change in fair value adjustments on value of other businesses[3]		(526)	(526)		(1 585)	(1 585)
Change in allowance for share rights	(10)		(10)	(3)	(9)	(12)
Group equity value earnings	1 420	68	1 488	2 803	(2 362)	441

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

(2) *This includes the actual shareholder expenses incurred by Liberty Holdings of R223 million (31 December 2017: R260 million) plus the change in the allowance for future shareholder expenses over the period.*

(3) *The negative R526 million comprises STANLIB South Africa negative R400 million, STANLIB Africa positive R150 million, operations under ownership review remeasurement of negative R249 million and R27 million Liberty Africa Insurance VONB offset.*

GROUP EQUITY VALUE REPORT (CONTINUED)

for the year ended 31 December 2018

3 Normalised group equity value (continued)

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

Rm (unless otherwise stated) (Audited)	2018	2017
South African covered business		
SA Retail	1 710	1 445
Traditional Life	1 317	1 159
Direct Channel	82	67
Credit Life	98	83
LibFin Credit uplift to SA Retail	213	136
Liberty Corporate	168	162
Traditional business	132	137
LibFin Credit uplift to Liberty Corporate	36	25
Gross value of new business	1 878	1 607
Overhead acquisition (including underwriting) costs impact on value of new business	(1 341)	(1 305)
Cost of required capital	(193)	(90)
Net value of South African covered business	344	212
Present value of future expected premiums	42 417	42 782
Margin (%)	0,8	0,5
Liberty Africa Insurance		
Net value of new business	27	21
Present value of future expected premiums	972	528
Margin (%)	2,8	3,9
Total group net value of new business	371	233
Total group margin (%)	0,9	0,5

LONG-TERM INSURANCE NEW BUSINESS

for the year ended 31 December 2018

Rm (Unaudited)	2018	2017
Sources of insurance operations total new business by product type		
Retail	26 641	27 132
Single	22 131	22 660
Recurring	4 510	4 472
Institutional	2 377	2 034
Single	1 166	838
Recurring	1 211	1 196
Total new business	29 018	29 166
Single	23 297	23 498
Recurring	5 721	5 668
Insurance indexed new business	8 051	8 018
Sources of insurance indexed new business		
SA Retail	6 495	6 570
Liberty Corporate	1 192	1 171
Liberty Africa Insurance[1]	364	277

[1] *Liberty owns less than 100% of certain entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

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

LONG-TERM INSURANCE NET CUSTOMER CASH FLOWS

for the year ended 31 December 2018

Rm (Audited)	**2018**	2017
Net premiums by product type		
Retail	43 553	43 467
Single	21 836	22 191
Recurring	21 717	21 276
Institutional	11 522	10 673
Single	2 062	1 416
Recurring	9 460	9 257
Net premium income from insurance contracts and inflows from investment contracts	55 075	54 140
Single	23 898	23 607
Recurring	31 177	30 533
Net claims and policyholders benefits by product type		
Retail	(41 263)	(40 436)
Death and disability claims	(7 277)	(6 567)
Policy surrender and maturity claims	(27 579)	(27 984)
Annuity payments	(6 407)	(5 885)
Institutional	(11 811)	(12 070)
Death and disability claims	(2 285)	(2 118)
Scheme terminations and member withdrawals	(8 726)	(9 139)
Annuity payments	(800)	(813)
Net claims and policyholders benefits	(53 074)	(52 506)
Long-term insurance net customer cash flows[(1)]	2 001	1 634
Rm (Unaudited)		
Sources of insurance operations net cash flows:		
SA Retail	2 065	2 846
Liberty Corporate	(449)	(1 536)
Liberty Africa Insurance[(2)]	385	324

(1) *This excludes net cash inflows attributed to the off balance sheet GateWay LISP of R524 million (2017: R350 million).*
(2) *Liberty owns less than 100% of certain entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

ASSETS UNDER MANAGEMENT[1]

as at 31 December 2018

Rbn (Unaudited)	2018	2017
Managed by group business units	682	684
STANLIB South Africa	549	556
STANLIB Africa[2]	51	53
Remaining operations	19	20
Operations under ownership review[4]	32	33
LibFin Markets	65	62
Other internal managers	17	13
Externally managed	36	36
Total assets under management[3]	718	720

(1) *Includes funds under administration.*
(2) *Liberty owns less than 100% of certain of the entities that make up STANLIB Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*
(3) *Included in total assets under management are the following LISP December 2018 amounts:*

Unit trusts listed (Rbn)	*STANLIB managed*	*Other managed*	*Total*
STANLIB	*39*	*78*	*117*
Gateway	*4*	*5*	*9*

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

ASSET MANAGEMENT NET CASH FLOWS[1]

as at 31 December 2018

Rm (Unaudited)	2018	2017
STANLIB South Africa		
Non-money market	9 155	4 815
Retail	6 146	8 249
Institutional	3 009	(3 434)
Money market	6994	(84)
Retail	(48)	(1 400)
Institutional	7 042	1 316
Net South Africa cash inflows	16 149	4 731
STANLIB Africa		
Non-money market	(7 696)	(1 156)
Retail	19	738
Institutional	(7 715)	(1 894)
Money market	(868)	676
Net Africa cash outflows	(8 564)	(480)
Net cash inflows from asset management	7 585	4 251

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

SHORT-TERM INSURANCE INDICATORS

for the year ended 31 December 2018

Rm (Audited)	2018	2017
Net premiums	1 347	1 297
Liberty Health – medical risk	808	777
Liberty Africa Insurance – motor, property, medical and other	539	520
Net claims	(943)	(886)
Liberty Health – medical risk	(650)	(637)
Liberty Africa Insurance – motor, property, medical and other	(293)	(249)
Net cash inflows from short-term insurance	404	411
Unaudited		
Claims loss ratio (%)		
Liberty Health	80	82
Liberty Africa Insurance	54	48
Combined loss ratio (%)		
Liberty Health	117	102
Liberty Africa Insurance	108	99

CAPITAL COMMITMENTS

as at 31 December 2018

Rm (Audited)	2018	2017
Equipment	543	741
Investment and owner-occupied property	1 497	1 432
Committed capital[1]	1 337	1 071
Total capital commitments	3 377	3 244
Under contracts	808	430
Authorised by the directors but not contracted	2 569	2 814

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

The above 2018 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds and R482 million (2017: R452 million) from non-controlling interests in respect of investment properties.

RETIREMENT BENEFIT OBLIGATIONS

as at 31 December 2018

Audited

Post-retirement medical benefit

The group operates an unfunded post-retirement medical aid benefit for permanent employees who joined the group prior to 1 February 1999 and agency staff who joined prior to 1 March 2005. As at 31 December 2018, the Liberty post-retirement medical aid benefit liability was R471 million (2017: R495 million).

Defined benefit retirement fund

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

RELATED PARTIES

for the year ended 31 December 2018

Audited

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

The following selected significant related party transactions have occurred in the 31 December 2018 financial period:

1. Summary of related party transactions with Standard Bank

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

	Number '000	Fair value Rm	Ownership %
Standard Bank Group Limited			
Balance at 1 January 2018	16 180	3 166	1,02
Purchases	12 301	2 445	
Sales	(7 863)	(1 491)	
Fair value adjustments		(433)	
Balance at 31 December 2018	**20 618**	**3 687**	**1,29**

1.2 Bancassurance

Liberty has extended the bancassurance business agreements with Standard Bank group for the manufacture, sale and promotion of insurance, investment and health products through the Standard Bank's African distribution capability. New business premium income in respect of this business in 2018 amounted to R8 895 million (2017: R9 129 million). In terms of the agreements, Liberty's group subsidiaries pay profit shares to various Standard Bank operations. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. The total combined net profit share amounts accrued as payable to the Standard Bank group for the year to 31 December 2018 is R1 266 million (2017: R948 million).

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

1.3 Purchases and sales of financial instruments

As per Liberty's 2017 group annual financial statements, in the normal course of conducting business, Liberty deposits cash with Standard Bank, purchases and sells financial instruments issued by Standard Bank and enters into sale and repurchase agreements and derivative transactions with Standard Bank. These transactions are at arm's length and are primarily used to support investment portfolios for policyholders and shareholders' capital.

1.4 Business operations contracted sale to Standard Bank

As released on the JSE SENS on 27 February 2019, Liberty Holdings Limited has entered into a sale and purchase agreement with the Standard Bank of South Africa to dispose of 100% of the technology that supports and enables its short-term insurance business, which is operated as a division of Liberty Holdings Limited, including all moveable assets used and intellectual property. The purchase consideration is R145 million, which will realise a profit on sale of R51 million to be recognised in 2019. The transaction enables the Liberty group to continue to provide short-term products to its customers, while reducing future capital requirements, and to focus on the objective of its strategy refresh being to concentrate on long-term insurance and asset management businesses.

2. Other related party transaction – Liberty Two Degrees (L2D)

Effective 6 November 2018, Liberty sold a 100% owned subsidiary in STANLIB REIT Fund Managers (RF) (Pty) Ltd (an asset manager company) to L2D for R307 million. In addition, Liberty Group Limited disposed of a R1,2 billion share in its property portfolio to L2D. The existing put option that Liberty Group Limited previously had, which allowed it to sell further portions of its undivided shares in existing properties to L2D, was cancelled for no value.

DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

as at 31 December 2018

Audited

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

The cash-generating units impacted are asset mangement operations in Ghana, Uganda, Kenya and Botswana, Health risk solutions, the short-term insurance technology start up and short-term insurance in Malawi and Namibia.

These entities were included in the consolidated financial statements of Liberty Holdings Limited in 2017.

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

The classes of assets and liabilities comprising the disposal groups classified as held for sale are as follows:

2018 Rm	Gross	Impairment	Net
Total assets classified as held for sale	1 146	(249)	897
Intangibles assets	183	(85)	98
Properties	17	(2)	15
Equipment	24	(16)	8
Deferred taxation	118	(118)	
Reinsurance assets - short-term insurance	18	(7)	11
Financial investments	71		71
Prepayments, insurance and other receivables	497	(21)	476
Cash and cash equivalents	218		218
Total liabilities classified as held for sale	278		278
Short-term insurance liabilities	116		116
Employee benefits	40		40
Insurance and other payables	116		116
Current taxation	6		6
Net assets of disposal groups held for sale	868	(249)	619

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

OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

as at 31 December 2018

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

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

Rm (Audited)	**Total**	**Not subject to MNA or similar agreements**	**Subject to MNA or similar agreements**	**Financial collateral[1]**	**Net**
2018					
Assets					
Assets held for trading and for hedging	10 340	(1 496)	8 844	(8 008)	836
Total assets	**10 340**	**(1 496)**	**8 844**	**(8 008)**	**836**
Liabilities					
Liabilities held for trading and for hedging	8 457	(133)	8 324	(8 008)	316
Repurchase agreements liabilities	5 771		5 771	(5 680)	91
Collateral deposits payable	5 976		5 976	(5 976)	
Total liabilities	**20 204**	**(133)**	**20 071**	**(19 664)**	**407**
2017					
Assets					
Assets held for trading and for hedging	7 871	(1 356)	6 515	(6 016)	499
Total assets	7 871	(1 356)	6 515	(6 016)	499
Liabilities					
Liabilities held for trading and for hedging	6 311	(56)	6 255	(6 016)	239
Repurchase agreements liabilities	4 671		4 671	(4 671)	
Collateral deposits payable	4 426		4 426	(4 426)	
Total liabilities	15 408	(56)	15 352	(15 113)	239

[1] *Financial collateral relates to these instruments that are subject to MNA or similar agreements.*

ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS UNDER IFRS 9

as at 31 December 2018

Opening transition adjustment as at 1 January 2018

Rm (Audited)	As previously reported under IAS 39 at amortised cost	Transition adjustment	As classified under IFRS 9 at fair value through profit or loss
Loan receivables	894	(63)	831
Financial liabilities	(5 581)	(105)	(5 686)
Gross transition adjustment		(168)	
Taxation		47	
Net transition adjustment		**(121)**	

as at 31 December 2018

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

The table above reflects the classification of the group's financial assets and financial liabilities as at 31 December 2018 split into the IFRS 9 measurement categories. The financial assets categories have been determined based on the contractual cash flow characteristics and business model of the entity.

NOTES

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