LIBERTY

In it with you

Liberty Holdings Limited
Annual financial statements
for the year ended
31 December 2021

Liberty Holdings Limited is a licensed controlling company of an insurance group

Contents

Group annual financial statements	Page
Directors' responsibility for and approval of financial reporting	2
Company secretary compliance statement	2
Independent auditor's report	3
Directors' report	8
Report of the group audit and actuarial committee	12
Accounting principles	14
Key judgements in applying assumptions on application of accounting policies	16
Summary of the group's assets and liabilities by measurement basis	24
Guide to the group annual financial statements and notes	26
Consolidated statement of financial position	27
Consolidated statement of comprehensive income	28
Consolidated statement of changes in equity	30
Consolidated statement of cash flows	32
Notes to the consolidated annual financial statements	33
Risk management	134
1 Enterprise risk management	135
2 Strategic and business risk	144
3 Insurance risk	144
4 Market risk	154
5 Credit risk	164
6 Liquidity risk	168
7 Operational risk	172
8 Business conduct risk	174
9 Compliance and legal risk	175
10 Concentration risk	175
11 Sensitivity analysis	177
Company annual financial statements and notes	180
Independent auditor's report	181
Key judgements in applying assumptions on application of accounting policies	183
Company statement of financial position	184
Company statement of comprehensive income	185
Company statement of changes in equity	186
Company statement of cash flows	187
Notes to the company annual financial statements	188
Appendices	205
Appendix A – Detailed accounting policies	206
Appendix B – Liberty Holdings Limited share incentive schemes and utilisation of incentive share scheme allocation	236
Appendix C – Long-term policyholder liabilities and short-term insurance liabilities reconciliation	240
Appendix D – List of companies within the Liberty Holdings Limited group	244
Appendix E – Abbreviations and definitions	247

Preparation of financial reports

The annual financial statements of Liberty Holdings Limited group and company for the year ended 31 December 2021 were:

Prepared by: Melanie Natsas CA(SA), Dieter Wichmann CA(SA) and Laura Kirker FASSA

Supervised by: Michael Norris CA(SA) – Executive – Group Finance and Yuresh Maharaj CA(SA) – Financial Director

These annual financial statements have been audited by PricewaterhouseCoopers Inc. in accordance with the requirements of the Companies Act No. 71 of 2008.

In these annual financial statements, Liberty Holdings Limited and its subsidiaries is referred to as "Liberty" or the group. Liberty Holdings Limited is referred to as the company or "LHL".

Directors' responsibility for and approval of financial reporting

for the year ended 31 December 2021

Directors' responsibility for and approval of financial statements

The directors are responsible for the preparation and fair presentation of the annual financial statements of the group and company. These financial statements comprise the statements of financial position as at 31 December 2021, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the period ended, the accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act No. 71 of 2008 and are in compliance with the company's laws of establishment and the Memorandum of Incorporation. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as they determine necessary to enable the preparation of the annual 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 group and company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The independent auditor is responsible for reporting on whether the financial statements are fairly presented, in all material respects, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

The annual financial statements of the group and company, as identified in the first paragraph, were approved by the board of directors on 2 March 2022 and are signed by:

JH Maree
Chairman

DC Munro
Group chief executive

Johannesburg
2 March 2022

Company secretary compliance statement

In terms of Section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, I certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act No. 71 of 2008 in respect of the year ended 31 December 2021, and that all such returns are true, correct and up-to-date.

JM Parratt
Company secretary

Johannesburg
2 March 2022

Independent auditor's report

To the Shareholder of Liberty Holdings Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Liberty Holdings Limited and its subsidiaries (together the Group) as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Liberty Holdings Limited's consolidated financial statements set out on pages 14 to 23, 27 to 133, 135 to 179 and 206 to 235 comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Our audit approach

Overview

Overall group materiality

R377 million, which represents 0.80% of consolidated premium revenues from insurance contracts.

Group audit scope

- Full scope audit for ten reporting components based on their financial significance and/or risks associated with these components, with one component that substantially contributes to the consolidated premium revenue of the Group.
- Specified audit procedures were performed on eleven reporting components and analytical reviews on the remaining components.

Key audit matters

- Long-term policyholder assets and liabilities – Insurance contracts; and
- Valuation of investment properties at year-end.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditor's report (continued)

Overall group materiality	R377 million.
How we determined it	0.80% of consolidated premium revenues from insurance contracts.
Rationale for the materiality benchmark applied	We chose 0.80% of the consolidated insurance premiums of the Group as the benchmark for materiality. As a result of the Group's volatile profit before tax year on year we considered consolidated insurance premiums of the Group to be the most appropriate benchmark as it is the best reflection of the Group's operational results and its ability to generate cash inflows. We chose 0.80% based on our professional judgement and after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has two primary segments, which are aligned to its operating model, operating in two geographical clusters being South African operations and Africa regions. The South African operations consist of long-term insurance business, asset management and other operations supporting these businesses. The Africa regions are segmented as Liberty Africa Insurance, Liberty Health and STANLIB Africa.

The Group's financial statements are a consolidation of thirty eight reporting components, which together comprise the Group's principal operating segments. Of these reporting components, we selected ten for full scope audit testing due to their financial significance and/or the risks associated with these components, of which Liberty Group Limited (LGL), substantially contributes to the consolidated premium revenue of the Group. The audit of this component is performed by us in our capacity as the group audit team. Specified audit procedures on certain balances and transactions were performed at eleven reporting components of African operations. For the remaining components we performed analytical review procedures.

This, together with additional procedures performed at the group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group audit team, and component auditors from other PwC network firms and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. In addition, we held discussions with the reporting component audit teams and assessed the reporting deliverables submitted.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Long term policyholder assets and liabilities – Insurance contracts **Refer to the Key judgements in applying assumptions on the application of accounting policies, Note 14 of the notes to the consolidated annual financial statements, and Note 5 of the Detailed Accounting policies (Appendix A)** As at 31 December 2021, the carrying amounts of the policyholder assets and liabilities were R3 billion and R230 billion, respectively, measured in accordance with Standard of Actuarial Practice 104 (SAP 104), which is the existing accounting practice adopted as an accounting policy under International Financial Reporting Standard (IFRS) 4: Insurance Contracts. Policyholder assets and liabilities under insurance contracts include provisions for the net present value of expected future benefits and expected future costs, less expected future premiums and for claims incurred but not reported (IBNR). Complex and subjective judgements are required over a variety of uncertain future operating assumptions within the life insurance business. These assumptions include, amongst others, mortality and morbidity, withdrawals, investment return and discount rates, expenses, taxation, and expense inflation. The assumptions applied by management, as disclosed in Note 14, in determining the value of the policyholder assets and liabilities, and any changes to these assumptions, may result in a material adjustment to the value of policyholder assets and liabilities and ultimately the results of the Group. The COVID-19 pandemic had a significant impact on the assumptions management applied in the measurement of policyholder liabilities due to the level of uncertainty and the significant adverse deviations of experience expected in the short-term. Management has considered the continued impact of COVID-19 on the associated key judgements including, amongst others, assumptions relating to mortality, withdrawals and terminations as set out in the Key judgements in applying assumptions on the application of accounting policies section of the consolidated financial statements. We considered the valuation of the policyholder assets and liabilities a matter of most significance to our current year audit due to the: • significant management judgement required in determining the value of the policyholder assets and liabilities; and • magnitude of the policyholder assets and liabilities in relation to the consolidated total assets and liabilities of the Group.	To test the valuation of the policyholder assets and liabilities we made use of our actuarial expertise in performing, amongst other, the following procedures: • Updated our understanding of the actuarial control environment and governance, including the functioning of the Group audit and actuarial committee, which approves the methodology and assumption changes, against industry practice and regulatory requirements; • Attended management committee meetings where valuation principles were discussed and approved. We performed tests and reasonability checks to corroborate that these principles as approved were applied in the valuation model; • Assessed the changes in valuation methodology against the requirements of SAP 104 and industry practice and the corresponding impact of the changes on the policyholder assets and liabilities; • Assessed the changes in assumptions against the latest experience, industry trends and economic market trends; and corresponding impact of the changes on the policyholder assets and liabilities. The assumptions applied were comparable with these benchmarks; • Examined management's Analysis of Surplus, as defined on page 248, by analysing the sources of profit and how it relates to the change in the policyholder assets and liabilities and the impact on the consolidated statement of comprehensive income; and • Considered management's view of the impact of the COVID-19 pandemic on policyholder assets and liabilities. In particular, the process followed to determine the adjustment per assumption was considered as well as the application and impact on policyholder liabilities was assessed. To test the inputs used in the valuation models we performed, amongst other, on a sample basis, the following: • Assessed the reasonability of the classification of expenses between maintenance and acquisition expenses and how they are capitalised in the valuation by considering the nature of the expenses and inspecting the source document relating to these expenses. We did not note expense classifications that were contrary to our expectations; and • Traced the policyholder valuation input data, such as premiums, claims and expense data used in the valuation model back to information contained in the administration and accounting systems, noting no exceptions.

Independent auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter

Valuation of investment properties at year-end
 	
Refer to the Key judgements in applying assumptions on the application of accounting policies, Note 4 and Note 28.6.1 of the Notes to consolidated annual financial statements and Note 6.1 of the Detailed Accounting policies as set out in Appendix A.
 	
The majority of the Group's investment properties comprises retail investment properties. At 31 December 2021, the carrying value of the Group's total investment properties portfolio was R29 billion.
 	
The Group's accounting policy is to measure investment properties at their fair value based on bi-annual external valuations performed by independent valuers using the discounted cash flow model. The fair value is dependent on the inputs and assumptions into the valuation techniques applied and the inputs into the valuation model.
 	
The inputs made by management in determining the fair value of the investment properties are set out in the Key judgements in applying assumptions on application of accounting policies and in Note 4 to the consolidated financial statements and include amongst others the key assumptions relating to property-specific exit capitalisation rates, discount rates and cash flows.
 	
The impact of COVID-19 and the associated impact on the property investment industry resulted in changes to the inputs and assumptions into the valuation techniques applied and the inputs into the valuation models in the prior year and have continued to do so in the current year.
 	
We considered the year-end valuation of investment properties as a matter of most significance to our current year audit due to the:
 	
• inherent subjectivity of the key assumptions that underpin the valuation of investment properties and the heightened uncertainty involved in making these assumptions arising out of the COVID-19 pandemic; and
• magnitude of the investment properties balance at year-end recorded in the consolidated statement of financial position, as well as the changes in fair value relating to the investment properties recorded in the consolidated statement of comprehensive income.
	We obtained an understanding of the approaches followed by management and the independent valuers for the valuation of the Group's investment property portfolio through discussions with management and the external valuers, as well as inspection of minutes of meetings of the board of directors.
	
	We updated our understanding of and tested the relevant controls related to:
	
	• Entering and amending of leases in support of contractual rental income;
	• Setting and approval of budgets by the Group;
	• Consideration of external valuation reports by an internally appointed valuer; and
	• Board approval of the valuations obtained.
	
	We have evaluated the independent valuers by assessing their competence, independence and capabilities with reference to their qualifications and industry experience, and noted no aspects requiring further consideration.
	
	On a risk-based sample basis, we assessed the calculation of the fair values in the external valuers' valuation reports by performing the following procedures:
	
	• Utilised our internal valuation expertise to assess the appropriateness of the valuation methodology and noted it to be consistent with industry norms;
	• Assessed the reasonableness of the cash flows of each property used by the valuers in the discounted cash flow models. This involved:
	  • comparing the current year cash flows used in the model to the actual results for the year ended; and
	  • assessing the forecasted cash flows against market information.
	
	We noted no aspects in this regard requiring further consideration.
	
	• Assessed the reasonableness of the exit capitalisation rates, discount rates and vacancy rates against market related data for similar investment properties, and based on our work performed, we accepted management's assumptions; and
	• Making use of our internal valuation expertise, we performed a high-level reasonability assessment on a sample of properties based on industry benchmarks referred to above, and noted them to be within a reasonable range.
	
	We inspected the final valuation reports and agreed the fair values to the Group's accounting records, noting no material exceptions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Liberty Holdings Limited Annual financial statements for the year ended 31 December 2021"* which includes the Directors' report, the Report of the Group audit and actuarial committee, and the Company secretary compliance statement as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report (continued)

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Liberty Holdings Limited for 25 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: F.J. Kruger
Registered Auditor
4 Lisbon Lane
Waterfall City
Jukskei View
Johannesburg
South Africa
2090
2 March 2022

Directors' report

for the year ended 31 December 2021

Main business activities

Liberty Holdings Limited (LHL) is the holding company of various operating subsidiaries engaged in the provision of financial services including long-term and short-term insurance, investment, asset management and health services. These financial services are primarily undertaken in South Africa, with various levels of services being provided in other African countries. LHL is incorporated in the Republic of South Africa. Following a scheme of arrangement announced on the 14 July 2021 between the Standard Bank Group Limited (SBG) and LHL, SBG have purchased the ordinary shares issued by LHL other than the shares already held by SBG. In terms of this scheme, LHL was delisted from the Johannesburg Stock Exchange (JSE) on 1 March 2022. As part of the scheme of arrangement, SBG also purchased 100% of LHL's issued preference shares on 23 November 2021.

Liberty Kenya Holdings PLC is a subsidiary in which the group owns 73,5% (2020: 57,7%) and is listed on the Nairobi Stock Exchange in Kenya. Another of the group's subsidiaries, Liberty Two Degrees, a Real Estate Investment Trust (REIT), is listed on the Main Board of the JSE as a Corporate REIT.

Review of results

Shareholders' attributable loss for the group was R234 million, compared to a loss of R1 613 million in 2020. The results for the year were impacted by the COVID-19 pandemic, with particular reference to this impact detailed in the 'Key judgements in applying assumptions on application of accounting policies' section of this report. The group's results are materially affected by actuarial valuations of policyholder liabilities. These valuations are undertaken under South African actuarial practice and guidance.

Accounting policies

The accounting policies applied in the preparation of these annual financial statements are in terms of IFRS and are consistent with those applied in the prior year group and company annual financial statements except for the mandatory adoption of amendments to IFRS effective for 1 January 2021 and the early adoption of certain minor amendments.

IFRS 9 *Financial Instruments: General Hedge Accounting* (GHA)

The group has elected to adopt and transition to IFRS 9 GHA prospectively from 1 January 2021. The revised general hedge accounting requirements are better aligned with an entity's risk management activities. The group currently applies hedge accounting to certain cash flow hedges of currency risk and has elected to retrospectively exclude foreign currency basis spreads from the hedge relationship as permitted by IFRS 9. The total hedge reserve remains unchanged on transition. As at 1 January 2021, the risk management strategy and the hedge documentation for all micro hedges has been updated to comply with the requirements of IFRS 9 GHA. The group has complied with the enhanced disclosure requirements in line with the standard.

The impact on the group and company's financial results, disclosures or comparative information as a result of these amendments is not significant. All significant accounting policies are contained in Appendix A.

Share capital

At 31 December 2021, there were 286 202 373 issued ordinary shares of 8,33 cents each and 15 000 000 cumulative preference shares of 10 cents each.

Under the authority provided by shareholders, Lexshell 615 Investments Proprietary Limited (Lexshell), a wholly-owned group subsidiary of LHL purchased 42 000 (2020: 3 504 810) LHL ordinary shares at an average purchase price of R59,52 per share (2020: R75,72), for a total consideration of R2.5 million (2020: R265 million). There were no shares disposed of by Lexshell in the current year. In the prior year, Lexshell disposed of 12 495 LHL ordinary shares at an average selling price of R98,61 for total proceeds of R1 million. These shares are held as treasury shares.

Under the authority provided by shareholders, The Liberty Holdings Group Restricted Share Trust (the trust), a trust holding employee restricted shares for employee equity-settled remuneration schemes, purchased 1 707 480 LHL ordinary shares in the prior year at an average purchase price of R76,10 per share, for a total consideration of R130 million. In the prior year the trust also disposed of 918 690 LHL ordinary shares at an average selling price of R70,25 for total proceeds of R65 million. There were no shares purchased or disposed during the current year. The trust distributed 1 072 529 (2020: 490 934) LHL ordinary shares to participants at nil value to meet company vesting obligations in terms of various employee equity-settled remuneration schemes. The disposals in the prior year were necessitated as a result of cancellations due to vesting conditions not being met. Subsequent to 31 December 2021, the SBG scheme of arrangement, as detailed in "Events after reporting date" below, became unconditional and consequently Lexshell acquired the full shareholding of LHL shares held by the trust, at R84.90 per share.

Further details of the company's share capital are contained in note 29 of the group annual financial statements.

Shareholder distributions	2020 Final	2021 Interim	2021 Final
Ordinary shareholders			
Date of declaration	n/a	n/a	**n/a**
Dividend per share (cents)	[1]	[1]	[1]
Record date (close of business)	n/a	n/a	**n/a**
Payment date	n/a	n/a	**n/a**
Cumulative preference shareholders			
Date of declaration	30 November 2020	25 June 2021	**12 January 2022**
Preference dividend per share (cents)	5,50	5,50	**5,50**
Record date (close of business)	31 December 2020	2 July 2021	**31 December 2021**
Payment date	4 January 2021	5 July 2021	**17 January 2022**

[1] *The significant uncertainty that currently exists regarding the spread of the COVID-19 virus in South Africa in the short-term and its economic consequences resulted in the Board deciding not to declare any dividends in respect of the period ended 31 December 2020 and 30 June 2021, despite the group's strong capital position and marginally positive core operating earnings. No final dividend was paid for 2021 as a result of the scheme of arrangement.*

Pursuant to the scheme of arrangement, a special distribution of R11,10 per ordinary share was declared on 8 February 2022 (record date of 25 February 2022) and paid on 28 February 2022. This totalled R3 177 million.

Director appointments and resignations during 2021 and up to the date of this report

Appointments	Date
No appointments during the year	

Resignations	Date
MW Hlahla	**25 March 2021**
JH Maree	**2 March 2022**
LN Hartnady	**2 March 2022**
P Mhlanga	**2 March 2022**
T Skweyiya	**2 March 2022**
JH Sutcliffe	**2 March 2022**
SK Tshabalala	**2 March 2022**

All of the resignations on 2 March 2022 were effective at the end of the board meeting held on 2 March 2022.

Interest of directors, including their families, in share capital of LHL

as at 31 December 2021

	Number of shares	
	2021	2020
Executives' shareholding		
DC Munro	**123 595**	95 127
Y Maharaj	**20 317**	6 599
	143 912	101 726
Non-executives' shareholding		
JH Maree	**100 000**	100 000
T Skweyiya	**2 455**	2 455
JH Sutcliffe	**4 000**	4 000
SK Tshabalala	**43 000**	43 000
	149 455	149 455
Total	**293 367**	251 181

Information on rights and restricted share plan awards granted to executive directors under the equity-settled remuneration schemes are contained in the Remuneration report available on the Liberty Holdings Limited website, **www.libertyholdings.co.za.**

As a result of the scheme of arrangement referred to above, the LHL shares were delisted from the JSE on 1 March 2022 and as at the date of this report, SBG owns 100% of the ordinary issued shares of LHL. Except for the impact of the scheme of arrangement, there were no other changes to the interests of directors, including their families, in the share capital as disclosed above as at 31 December 2021 to the date of approval of the annual financial statements, namely 2 March 2022.

Directors' report (continued)

for the year ended 31 December 2021

Ordinary share rights and restricted shares

During the periods under review, LHL operated the following equity-settled share incentive schemes, being the Liberty Holdings Limited Performance Reward Plan, Liberty Holdings Group Restricted Share Plan (deferred and long-term) and the Liberty Equity Growth Scheme. Following the Scheme of arrangement post the year end, there will be no further share schemes that will be referenced to Liberty Holdings Limited shares.

Directors' related party information

Shareholders are referred to note 44 to the group annual financial statements for disclosure pertaining to directors' related party transactions and key management compensation.

Holding company

At 31 December 2021, the group's holding company, SBG, held 53,62% (2020: 53,62%) of LHL's issued ordinary shares. In terms of the scheme of arrangement, as at the 23 November 2021 SBG purchased 100% of the issued cumulative preference shares (previously nil interest in the preference shares). Subsequent to year end, and as at the date of this report, SBG owns 100% of the ordinary issued shares of LHL.

Bancassurance

LHL has bancassurance business agreements with the Standard Bank group for the manufacture, sale and promotion of insurance, investment and health products through the Standard Bank's African distribution capability.

In terms of the agreements, various entities in the group pay profit shares to various Standard Bank operations with respect to business sourced from Standard Bank distribution and clients. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines.

The payment of the profit share to Standard Bank in South Africa is paid by way of a preference share mechanism from Liberty Group Limited.

The bancassurance business agreements are evergreen agreements with a 24-month notice period for termination. As at the date of the approval of this report, neither party had given notice. As the bancassurance relationship provides commercial benefits to both LHL and SBG, a governance framework (Related party committee) is in place to protect the interests of non-controlling shareholders.

Refer to related party disclosure in note 44 to the group annual financial statements for further details.

Joint ventures and associates

The interests in associates and joint ventures, where considered significant in the light of the group's financial position and results, are set out in notes 7 and 8 to the group annual financial statements.

Subsidiaries

Details of the significant interests in directly owned subsidiary companies are contained in note 5 to the company annual financial statements. Details of other subsidiaries through these ownerships are contained in Appendix D of this report. Certain of the group's subsidiaries are loss making and require liquidity support from the group's resources. This is either provided through equity capital injections or intragroup loan funding.

Shareholders

At 31 December 2021 LHL had 7 819 (2020: 8 101) ordinary shareholders, consisting of individuals, corporate investors and financial institutions. Subsequent to year end, the scheme of arrangement was implemented and consequently at the date of this report, SBG owns 100% of the ordinary issued shares of LHL.

Special resolutions during 2021

At the annual general meeting (AGM) held on 13 May 2021, LHL's shareholders passed the following special resolutions for the purposes indicated:

1	To grant the company authority, by a separate vote in respect of each item, to remunerate its non-executive directors for their services as directors and/or pay any fees related thereto and provided that the aforementioned authority shall be valid with effect from 1 January 2021 until the next AGM.
2	To authorise the directors, in terms of and subject to the provisions of sections 44 and 45 of the Companies Act, to cause the company to provide any direct or indirect financial assistance to or for the benefit of: 2.1 any company or corporation which is related or inter-related to the company
3	To authorise the directors to facilitate the acquisition by the company, and/or a subsidiary of the company, from time to time of the issued shares of the company from any person whatsoever upon such terms and conditions and in such amounts as the directors of the company may from time to time decide, but subject to the provisions of the Companies Act and the JSE Listings Requirements; provided that the aggregate number of shares repurchased in terms of this resolution shall not exceed 10% of the company's issued share capital as at 31 December 2020.

Borrowing powers

In terms of the company's memorandum of incorporation the amount which the company may borrow is unlimited.

Insurance

LHL has placed cover for losses as a result of commercial crime and claims under professional indemnity as well as for directors' and officers' liability insurance. These covers were renewed at 31 December 2021 for the 2022 year, as part of the Standard Bank Group Limited's insurance programme, in which the group participates.

Company secretary

The company secretary is Jill Parratt. The address of the company secretary is that of the registered office, namely Liberty Centre, 1 Ameshoff Street, Braamfontein, Johannesburg, 2000.

Events after reporting date

On 14 July 2021, LHL and SBG jointly announced a proposed transaction that would be implemented through a scheme of arrangement (Scheme), pursuant to which SBG will acquire all of the ordinary and preference shares issued by LHL other than the shares already held by SBG. Shareholders of LHL and SBG are referred to the Circular and to the results of the general meeting announcement published on SENS on 13 October 2021. The Scheme was approved by the requisite majority of LHL shareholders (both ordinary and preference at separate meetings) present and entitled to vote thereon. Regarding the preference shares all conditions of the Scheme were met on 2 November 2021 and the preference shares were delisted from the JSE on 23 November 2021 (refer SBG SENS announcement dated 4 November 2021).

All the conditions precedent related to the ordinary shares were met on 7 February 2022. The Scheme was implemented on 28 February 2022, and consequently the delisting of all LHL ordinary shares on the JSE took place on 1 March 2022 (refer SBG SENS announcement dated 7 February 2022). Shortly after the ordinary share Scheme implementation date, the share incentive scheme participants who had unvested or unimplemented obligations (related to the Liberty Group Restricted Share Plan (long-term plan and deferred plan), the Liberty Holdings Limited Performance Reward Plan and the Liberty Equity Growth Scheme) were compensated either with a cash consideration or transferred to similar Standard Bank equity-settled remuneration schemes. The financial consequences to LHL of this compensation to share scheme participants, when compared to the financial impacts of the original LHL awards, is not material. This is a non-adjusting post balance sheet event for the year ended 31 December 2021.

On 23 February 2022, as part of the 2022 budget speech, the South African Minister of Finance announced that the corporate income tax rate applicable to companies will be reduced from 28 percent to 27 percent effective for financial years ending on or after 31 March 2023. It is therefore expected that this change would impact the group and company with effect from its 2023 financial year.

There have been no other significant events after the reporting date, being 31 December 2021, to the date of approval of the audited annual financial statements, namely 2 March 2022.

Report of the group audit and actuarial committee

for the year ended 31 December 2021

The group audit and actuarial committee (GAAC) is pleased to present its report for the financial year ended 31 December 2021, as required in terms of the Companies Act No. 71 of 2008 of South Africa.

Composition and functions

The GAAC is an independent statutory committee appointed by the shareholders and comprises six independent directors of the board of Liberty Holdings Limited (the company). The GAAC operates under a board approved mandate covering its statutory responsibilities, as well as additional responsibilities delegated by the board. A relevant summary of these responsibilities is provided in the committee's mandate which is available from the Company Secretary.

The GAAC has a standing group actuarial sub-committee (GAC), which assists the GAAC in fulfilling its responsibilities relating to capital adequacy, the review of compliance with actuarial guidance, the discharge of actuarially related obligations and the review of material statutory reporting to the Prudential Authority. The GAC comprises the GAAC chairman and three actuaries. Two of these actuaries are members of the GAAC, one of whom serves as chairman of the sub-committee. As and when appropriate, the GAAC also provide feedback to the Group Risk Committee.

Four scheduled GAAC meetings were held during the year under review. Three additional ad-hoc meetings were held, the first to specifically discuss and provisionally approve material actuarial and other liabilities involving the exercise of significant judgement, the second to review the annual financial statements, and the third to approve various key judgements in respect of IFRS 17 *Insurance Contracts*. In addition, the GAAC received updates during the year on progress with the group's implementation of IFRS 17. The GAAC meetings included specific consideration of the impact of the COVID-19 pandemic, including the pandemic reserve.

Four scheduled GAC meetings were held during the year under review. Three additional ad-hoc meetings were held, the first meeting to approve bonus declarations and facilitate the rationalisation of portfolios, the second to discuss and approve submissions to the Prudential Authority and certain assumption and modelling changes, and the third to approve key valuation assumptions.

Discharge of responsibilities

The group chief executive, group financial director, group chief actuary and heads of control functions attend GAAC meetings. The external and internal auditors attend GAAC meetings by invitation. The external and internal auditors meet independently with the GAAC as is necessary and at least once annually.

The GAAC has operated in compliance with the terms of reference contained in its board approved mandate and has discharged its responsibilities accordingly. These terms of reference, including roles and responsibilities, are aligned with the requirements of King IV, the Companies Act and other regulatory requirements. In particular, the work performed by the GAAC was in compliance with paragraph 3.84(g) of the JSE Listings Requirements.

External audit

The GAAC considered the performance of the external auditors for the 2021 year and concluded that the performance and extent of audit coverage was satisfactory. The GAAC, at the meeting held on 1 March 2022, proposed that PricewaterhouseCoopers Inc. (PwC) be re-appointed as external auditors for the 2022 year at the 2022 annual general meeting, and that Mr Francois Kruger be the designated auditor responsible for performing the function of auditor for the 2022 year.

PwC has been the auditor of Liberty Holdings for 25 years. The designated auditor responsible is rotated on a five-yearly basis. The 2022 year will be the fourth year of Mr Francois Kruger's five-year term.

The GAAC approved the external audit plan and fees for the 2021 year and satisfied itself that the auditors are independent of the company and are thereby able to conduct their audit functions without any undue influence from the company. The GAAC has approved a policy for the provision of non-audit services and reviewed compliance with this policy for the year under review.

The GAAC considered the findings reported by the external auditors on the results of their independent audits in its overall assessment of the effectiveness of the company and group's internal financial controls.

Specifically, the key audit matters for the 2021 year, as reported in the independent auditor's report, were discussed by the GAAC. After reviewing and considering input from management and the external auditors, the GAAC was satisfied that these matters have been appropriately reflected in the annual financial statements for the year ended 31 December 2021.

Internal audit

The GAAC is responsible for ensuring that the internal audit control function is objective and has the necessary resources, standing and authority within the organisation to enable it to fulfil its duties, and was satisfied in this regard. The head of internal audit has a functional reporting line to the GAAC chairman, and an operational reporting line to the group financial director. The GAAC chairman provides input into the assessment of the performance of the head of the internal audit function. The effectiveness of the head of the internal audit control function was considered to be satisfactory by the GAAC.

Internal audit operates according to a GAAC approved internal audit mandate. The GAAC approved the internal audit plan and resourcing for the 2022 financial year.

Internal audit provides quarterly reports to the GAAC. Reported findings and annual assurance statements provided by internal audit were considered by the GAAC in its overall assessment of the effectiveness of the company and group's internal financial controls.

Report of the group audit and actuarial committee (continued)

for the year ended 31 December 2021

Internal financial controls

The GAAC has approved a framework for the internal financial controls implemented by the company and its subsidiaries. Nothing has come to the attention of the GAAC to indicate that there has been any material breakdown in the functioning of these controls, resulting in a material unrecorded loss to the group during the year and up to the date of this report. Accordingly, the GAAC is satisfied that the internal financial reporting controls provide a reliable basis for the preparation of the annual financial statements.

The above overall assessment of the effectiveness of internal financial controls is based on consideration of information and explanations provided by management, the findings reported by internal audit and their annual assurance statements, and discussions with the external auditors on the results of their independent audits.

The GAAC received no material notifications of any concerns or complaints regarding:

- The accounting practices and internal audit of the company and group;
- The content or auditing of the company and group's financial statements;
- The internal financial controls of the company and group; or
- Any related matter.

Combined assurance

The 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 (where applicable), heads of control functions and statutory actuaries, as well as independent assurance providers, including internal and external audit. Assurance on the management of key risks is provided monthly, quarterly or annually depending on the provider and as such, results in efficient and effective combined assurance.

Financial director

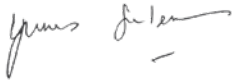
The GAAC has satisfied itself that the group financial director has the appropriate expertise and experience required for the role.

Group finance function

The GAAC has satisfied itself as to the appropriateness of the expertise, resources and experience of the group's finance function.

Annual financial statements

The GAAC has reviewed and recommended approval of the group and company annual financial statements to the board.



YGH Suleman
Chairman
Group audit and actuarial committee

Johannesburg
2 March 2022

Accounting principles

for the year ended 31 December 2021

Basis of preparation

The 2021 group and company annual financial statements of Liberty Holdings Limited have been prepared in accordance with and containing information required by:

- International Financial Reporting Standards (IFRS);
- the South African Institute of Chartered Accountants (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 accounting policies applied in the preparation of these annual financial statements are in terms of IFRS and are consistent with those applied in the prior year group and company annual financial statements except for the mandatory adoption of amendments to IFRS effective for 1 January 2021 and the adoption or early adoption of certain amendments as listed below. The impact on the group and company's current financial results, disclosures or comparative information as a result of these amendments is insignificant.

Mandatory adoption of IFRS amendments

IFRS 4 *Insurance Contracts* (IFRS 4), IFRS 7 *Financial Instruments: Disclosures* (IFRS 7), IFRS 9 *Financial Instruments* (amendments) (IFRS 9), IFRS 16 *Leases* (IFRS 16) *and* IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39)

The second phase of the Interest Rate Benchmark Reform (IBOR) resulted in amendments to IFRS 4, IFRS 9, IAS 39, IFRS 7 and IFRS 16 requirements to enable companies to deal with its effect on financial instruments and to continue providing useful financial information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative benchmark rate instead of derecognising or adjusting the carrying amount of financial instruments for changes required by the reform. An entity will not have to discontinue hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria. In addition, the amendments require companies to provide additional information to investors about new risks arising from the reform and how it manages the transition to alternative benchmark rates. The group will transition to alternative benchmarks as each interest rate benchmark is replaced.

Adoption of IFRS amendments

IFRS 9 *Financial Instruments: General Hedge Accounting (GHA)*

The group has elected to adopt and transition to IFRS 9 GHA prospectively from 1 January 2021. The revised general hedge accounting requirements are better aligned with an entity's risk management activities. The group currently applies hedge accounting to certain cash flow hedges of currency risk and has elected to retrospectively exclude foreign currency basis spreads from the hedge relationship as permitted by IFRS 9.The total hedge reserve remains unchanged on transition. As at 1 January 2021, the risk management strategy and the hedge documentation for all micro hedges has been updated to comply with the requirements of IFRS 9 GHA. Due to the IASB's project, Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach (PRA) not yet being finalised, in the event that Liberty in the future were to use macro hedges (hedges that minimise/manage the risk exposure of a portfolio), the group will continue to apply IAS 39 for all macro hedges.

Early adoption of IFRS amendments

IFRS *16 Leases* (amendments)

The amendment extends the availability of the practical expedient so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The group elected not to apply this practical expedient.

IAS 1 *Presentation of Financial Statements* (amendments), IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (amendments)

In response to the IASB's Disclosure Initiative – Principles of Disclosure, the amendments introduce a requirement on entities to disclose their material accounting policy information rather than significant accounting policies. To support this amendment the IASB also amended its IFRS Materiality Practice Statement to explain and demonstrate the application of the materiality process to accounting policy disclosures. The amendments have been applied prospectively.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (amendments)

The amendments introduce the definition of accounting estimates and include amendments to assist entities to distinguish changes in accounting estimates from changes in accounting policies. The amendments have been applied prospectively.

IAS 12 *Income Taxes* (amendments)

The amendments narrow the scope of the initial recognition exemption of deferred tax assets and liabilities. The exemption no longer applies to transactions that, at initial recognition, give rise to equal taxable and deductible temporary differences. The amendments have been applied retrospectively.

Accounting principles (continued)

for the year ended 31 December 2021

Accounting policy elections

Where permitted under IFRS, the group adopts accounting policy choices which increase the relevance of reported profit in line with how the business is managed and to eliminate, as much as possible, accounting mismatches within profit or loss. Refer to the key judgements regarding the business model and related classification and measurement under IFRS 9.

The following are the key principal accounting policy elections that the group has made:

- Financial assets: Where applicable, debt instruments that back policyholder liabilities are designated at fair value through profit or loss as permitted by IFRS 9, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities on a different basis.
- For all financial assets and financial liabilities that are measured at fair value through profit or loss, all income statement movements (including dividends, interest received and finance costs) are classified as fair value adjustments.
- Financial liabilities are predominantly designated at fair value through profit or loss. This results in more relevant information because financial assets and financial liabilities are managed, and performance is evaluated on a fair value basis for information provided internally to the group's key management personnel. Reporting on a fair value basis also eliminates or significantly reduces a measurement or recognition inconsistency.
- Interests in mutual fund associate and joint venture investments which are held indirectly or directly by investment-linked insurance funds, in which the group has significant influence, are measured on initial recognition at fair value through profit or loss (default).
- Cash flow hedge accounting is applied for certain derivatives that protect the future margin releases on financial assets.
- Shadow accounting is applied for insurance liabilities backed by owner-occupied property to eliminate an accounting mismatch in profit or loss.
- Although the application of the financial soundness valuation basis is not an accounting policy election as such, IFRS 4 refers the measurement of these insurance assets and insurance liabilities to existing local practice until adoption of IFRS 17 effective 1 January 2023. In South Africa, the financial soundness valuation basis is described in actuarial guidance issued by the Actuarial Society of South Africa.

Other significant accounting elections (policies or choices) adopted	• After initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment. • The group recognises the full operating income from operating leases on a straight-line basis in accordance with the lease terms and conditions, without taking into account the probability of the collectability of the any resulting lease receivable. Thereafter the property debtor is assessed for recoverability. • Where the group as lessor grants rent concessions related to past lease payments, the group has elected to treat these as a write down of the property debtors and not a lease modification. • Payments of dividends are included in operating activities in the cash flow statement. • Equipment is stated at cost less accumulated depreciation. • All assets classified within disposal groups held for sale are measured at the lower of their carrying value and fair value less costs to sell (not limited to non-current assets).

Key judgements in applying assumptions on application of accounting policies

for the year ended 31 December 2021

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

COVID-19

The future impact of COVID-19 on Liberty remains uncertain. COVID-19 experience in 2021 was affected by the emergence of new variants with associated waves of infections; the development and distribution of effective vaccines; and changes in social distancing and lockdown restrictions. Despite significant pandemic experience having emerged over 2020 and 2021, directors and management still need to apply significant judgement to the potential future impact of COVID-19 on the group's operations and the associated measurements of various assets and liabilities.

Future demographic and economic developments remain uncertain so assessing the net adverse financial impact of COVID-19 on the measurement of policyholder insurance contract liabilities requires significant judgement. Disclosures have been provided in this section to assist in assessing the impacts to the group's IFRS earnings and the group's solvency capital position as measured in accordance with the Insurance Act of South Africa.

Taking external information to date into account, management has revised its view of the expected development of the pandemic using a plausible 'reference scenario' to quantify a best estimate of the likely future financial outcome of the pandemic, whilst recognising that the range of outcomes is large. This reference scenario is applied, where applicable, to asset and liability measurement models under the IFRS and regulatory capital frameworks.

Development of underlying COVID-19 mortality assumption for the reference scenario

With the emergence of the highly contagious Omicron variant and evidence of significant reinfection and of post-vaccination infection, herd immunity is no longer considered attainable and COVID-19 is expected to remain endemic for the foreseeable future. For the purposes of the pandemic reserve at 31 December 2021, it has been assumed that 100% of the population will become infected with COVID-19 in the current and subsequent waves, whether they were previously infected or not and whether vaccinated or not, until the disease becomes completely embedded in normal mortality and that mortality from these waves is in addition to the base mortality rates.

With vaccines still appearing highly effective in preventing death, it is anticipated that vaccinations will prevent material excess deaths in the long-term amongst the vaccinated, especially with adherence to booster requirements.

The starting point for deriving the COVID-19 mortality rates assumptions by age band is a case fatality table from the Wuhan research study published in March 2020. The shape by age of case fatality rates from this study is still considered to reflect appropriately the expected shape of COVID-19 mortality by age before application of assumed vaccination rates. The following further assumptions are made to arrive at COVID-19 mortality rates for the reference scenario:

- It is assumed the Wuhan study case fatality rates apply to 20% of the population infected with the other 80% of people infected assumed to recover;
- 100% of the population will be infected with COVID-19 during the fourth and subsequent waves (December 2020: A further 40% of the population will be infected before herd immunity is reached);
- The proportion of Liberty's policyholders vaccinated is similar to the percentage of the South African population vaccinated by age bands; and
- Vaccinations are 95% effective in preventing death.

The table below shows the additional COVID-19 mortality rates derived from these assumptions and applied for one year in establishing Liberty's COVID-19 pandemic reserve.

Age	31 December 2021[1]	31 December 2020
0–10	**0,00%**	0,00%
10–20	**0,04%**	0,02%
20–30	**0,03%**	0,02%
30–40	**0,03%**	0,02%
40–50	**0,05%**	0,03%
50–60	**0,12%**	0,10%
60–70	**0,28%**	0,29%
70–80	**0,63%**	0,64%
80+	**1,16%**	1,18%

[1] *In line with relative excess experience observed between different portfolios in the first and second waves, the COVID-19 mortality rate assumptions on non-underwritten assured lives (which excludes annuitants) are assumed to be 50% higher than the rates in the table for each age band to better reflect the excess mortality expected.*

As a proportion of the insured population is expected to remain unvaccinated, an approximate relative increase of on average 2% has additionally been made to long-term mortality assumptions in respect of Liberty's Lifestyle Protector product to allow for ongoing excess deaths due to COVID-19. The long-term mortality assumptions on other impacted product lines were deemed sufficient not to require such an adjustment. This long-term mortality assumption change is not part of the pandemic reserve but is included in the "Mortality and morbidity valuation assumptions" item in the "Changes in Assumptions - All life companies" table in note 14.

Liberty's COVID-19 excess mortality in 2021 was higher than assumed in the pandemic reserve at 31 December 2020. This is a result of a combination of the worse than anticipated severity of the Beta and Delta variants (as much as 40% higher) which were the main variants circulating in 2021 and higher than anticipated contagion spread of the virus, partly as a result of slower than expected take-up of the vaccines. The severity of the Omicron variant, and subsequent variants, is assumed to be more in line with the original variants in 2020.

Key judgements in applying assumptions on application of accounting policies (continued)

for the year ended 31 December 2021

In the African regions outside of South Africa in which the group operates, the assumptions have been assessed taking the circumstances of each country into account.

Details of key judgements applied

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

Policyholder insurance contracts and investment contracts with discretionary participation features

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

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

Details of the process for determining the main assumptions for valuing policyholder assets and liabilities are included in Note 14. The long-term demographic assumptions, used in contract measurement at 31 December 2021, have been strengthened from those applied at 31 December 2020 in line with the assumption setting policy taking the increased uncertainty arising from the current environment into consideration. Economic assumptions have been updated to reflect the current applicable investment market experience.

Policyholder assets and liabilities under insurance contracts include provisions for the net present value of expected future benefits and expected future costs, less expected future premiums; plus, claims incurred and not reported (IBNR). An IBNR provision is an estimate of the ultimate cost of claims where the loss event has occurred prior to financial position date, but which have not been reported at that date. In South Africa, significant increases in excess deaths occurred from the emergence of new COVID-19 waves in December 2021, June 2021 and December 2020. The IBNR at 31 December 2021 provides for an additional R65 million (31 December 2020: R342 million) net of expected reinsurance recoveries to reflect estimated excess COVID-19 death claims incurred in the months immediately preceding financial reporting dates due to these waves.

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

Policyholder assets and liabilities have also been adjusted to reflect the net adverse impact to best estimate cash flows and related margins, arising from additional short-term mortality in excess of the supportable long-term assumptions by applying the reference scenario. Allowance has also been made for the indirect impacts that the pandemic is expected to have on other risk claims, withdrawals and expenses. The impacts to the group's IFRS earnings and the group's solvency capital position have been assessed. Given the continued high level of uncertainty of these short-term assumptions, sensitivities to these assumptions continue to be disclosed.

The pandemic reserve estimates have been derived from the following assumptions:

Pandemic reserve assumptions	31 December 2021	31 December 2020
Mortality	**31 December 2021 rates in table above for underwriten lives and increased by 50% for non-underwritten lives**	31 December 2020 rates in table above
Lump sum disability rate	**No COVID-19 impact**	+35% relative of expected claims for one year
Retrenchment claim rate	**No COVID-19 impact**	+6% absolute
Corporate's customer revenue loss through customer terminations and member withdrawals	**+15% absolute**	+15% absolute
Retail risk and voluntary investment terminations	**+0,75% absolute**	+5% absolute

Key judgements in applying assumptions on application of accounting policies (continued)

for the year ended 31 December 2021

The pandemic reserve also allows for the expected cost overruns arising from the adverse short-term impact of the pandemic on new business volumes and policy terminations.

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

These assumptions have been consistently applied for solvency capital requirement calculations.

The table below shows the development of the pandemic reserve for Liberty Holdings Limited (LHL) over the financial year on a net of reinsurance basis.

	2021			2020		
Rm	Net of reinsurance	Tax relief and NCI[1]	Net	Net of reinsurance	Tax relief and NCI[1]	Net
Opening COVID-19 pandemic reserve	**2 291**	**(656)**	**1 635**			
Establishment of COVID-19 pandemic reserve				3 041	(866)	2 175
COVID-19 pandemic reserve recalibration	**2 435**	**(684)**	**1 751**	73	(21)	52
COVID-19 pandemic reserve utilised	**(3 158)**	**898**	**(2 260)**	(823)	231	(592)
Closing COVID-19 pandemic reserve	**1 568**	**(442)**	**1 126**	2 291	(656)	1 635
COVID-19 earnings impact	**4 113**	**(1 154)**	**2 959**	3 241	(918)	2 323
COVID-19 pandemic reserve recalibration/ Establishment of COVID-19 pandemic reserve (refer note 2 and note 14)	**2 435**	**(684)**	**1 751**	3 114	(887)	2 227
Excess COVID-19 risk claims not covered by the pandemic reserve (refer note 2)	**1 678**	**(470)**	**1 208**	127	(31)	96

[1] *NCI = non-controlling interests*

A pandemic reserve is also determined for purposes of solvency capital requirement ratio calculations. The amount of this pandemic reserve as at 31 December 2021 reduced the Liberty Group Limited solvency capital requirement cover ratio by 0,08 times, compared to a reduction of 0,10 times based on the pandemic reserve at 31 December 2020.

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

Sensitivities for the LGL pandemic reserve are tabled below. Sensitivities have only been determined for an upward shock. The impact of a downward shock would be a profit similar in magnitude to the loss on the upward shock presented. The gross of non-controlling interest and tax reserve of R33 million (31 December 2020: R41 million) in respect of Liberty Africa Insurance has not been included in the sensitivities as it is considered immaterial from a group perspective. The impacts presented below are net of reinsurance and taxation consequences. Some of the stress adjustments applied to the reference scenario have changed between 31 December 2020 and 31 December 2021 to reflect an updated view of the extent of the presumed risk.

Key judgements in applying assumptions on application of accounting policies (continued)

for the year ended 31 December 2021

31 December 2021 Sensitivity variable[1]	IFRS contract boundary[2]	Adjustment to the reference scenario	Impact to the group's IFRS reported profit or loss for 2021 Rm	Impact to the LGL solvency capital requirement cover at 31 December 2021 (times covered)
Mortality risk experience – assured lives	Long	+75% relative increase to the pandemic reserve in respect of mortality[3]	(700)	(0,038)
	Short		(300)	(0,016)
Mortality risk experience – annuitants		*(equates approximately to a +25% relative increase to overall mortality on average for 1 year)*[4]	77	0,005
Retail risk and investment policy terminations		+0.75% absolute increase on Retail risk and voluntary investment business *(equates approximately to a 7.5% relative increase on average for 1 year)*	(70)	(0,018)

31 December 2020 Sensitivity variable	IFRS contract boundary[2]	Adjustment to the reference scenario	Impact to the group's IFRS reported profit or loss for 2020 Rm	Impact to the LGL solvency capital requirement cover at 31 December 2020 (times covered)
Mortality risk experience – assured lives	Long	+50% relative increase to the pandemic reserve in respect of mortality[3]	(344)	(0,019)
	Short		(82)	(0,005)
Mortality risk experience – annuitants		*(equates approximately to a +14% relative increase to overall mortality on average for 1 year)*[4]	51	0,003
Lump sum disability risk experience	Long	+10% proportional increase for 1 year	(32)	(0,002)
	Short		(8)	(0,000)
Retail retrenchment risk experience	Long	+5% absolute increase for 1 year	(25)	(0,001)
Retail risk and investment policy terminations		+5% absolute increase on Retail risk and voluntary investment business *(equates approximately to a +50% relative increase on average for 1 year)*	(483)	(0,072)

(1) *No lump sum disability and retrenchment risk experience sensitivities have been shown for 2021 as there is no provision in the 31 December 2021 pandemic reserve for these risks, as experience is expected to be adequately captured by the long-term assumptions. Sensitivities to these assumptions would be similar to those shown for 2020 but would need to be grossed up for tax as has been done for mortality described in table note (4).*

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

(3) *The 75% relative stress in 2021 is considered a reasonable stress to appropriately reflect the range of uncertainty of COVID-19 mortality due to the potential impacts of unknown new variants and unknown levels of immunity over longer periods, particularly for the unvaccinated or those not keeping up with booster requirements. The large actual variance to assumption experienced in 2021 is indicative, in hindsight, that the stress shown in the 2020 annual financial statements was probably too small to reflect the uncertainty that then existed.*

(4) *The mortality sensitivity impacts for 31 December 2021 have been grossed up for tax by 15%-28% where applicable on the assumption that further losses in the risk tax fund will not be recoverable from tax arising from future profits. At 31 December 2020, the losses in the risk tax fund under the sensitivity were still at levels assumed recoverable.*

Key judgements in applying assumptions on application of accounting policies (continued)

for the year ended 31 December 2021

Policyholder liabilities – investment contracts with discretionary participation features

The full liability represents the total fair value of the matching asset portfolio and an estimate of the cost of any guarantees provided. The majority of contracts have monthly bonuses declared using formulae as set out in the Principle and Practices of Financial Management (PPFM), where these formulae use either a retrospective or a prospective estimate of current policyholder obligations. The difference between the fair value of the matching asset portfolio and the estimate of the current policyholder obligations is the bonus stabilisation reserve. The PPFM require the head of actuarial function /statutory actuary to exercise judgement where bonuses declared in accordance with the formulae set out in the PPFM are not deemed in best interest of the policyholders. Funding levels remain above 100% on all these funds.

Defined post-employment benefits

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

The reference long-term mortality curves have not been changed from those applied at 31 December 2019, however current experience including the COVID-19 reference scenario as detailed above in respect of mortality impacts were considered in relation to the determination of the liability for these respective benefits. The net impact was immaterial for both post- employment benefits for the year ended 31 December 2021 and as such not adjusted for.

Further details of these post-retirement benefits are contained in note 24.

Classification and measurement of financial instruments

IFRS 9 requires an entity to assess its business model to determine the classification of financial assets. A business model refers to how an entity manages its financial assets in order to generate cash flows. Management applies judgement to determine the level at which the business model assessment is applied.

Liberty Holdings Limited is the holding company of various operating subsidiaries engaged in the provision of financial services. The majority of the group's business is conducted through the licensed life insurer, Liberty Group Limited (LGL).

Liberty Group Limited business model: LGL's business model is to utilise and renew available capital resources sustainably to create value by providing solutions to individuals or groups of individuals to meet their insurance risks and investment needs. LGL earnings are derived mainly from three activities, being insurance underwriting profit, fees for the provision of investment products and services (mainly referenced to the underlying fair value of assets) and net investment income on shareholder investment market exposures, less group administration and strategic expenses.

The financial assets held by LGL as part at its operating activities are managed with the objective of realising cash flows through the appropriate sale of financial assets. Management makes decisions based on the assets' fair values and manages the assets to realise those fair values. All the financial assets held by LGL are actively traded over the medium term and are holistically managed as one portfolio of assets on a fair value basis. LGL's overall objective is to maximise risk adjusted returns measured on a fair value basis. This is supported by the group's approach to balance sheet management, the asset/liability matching programme, risk and regulatory capital management, remuneration and performance reporting. Financial assets include cash and cash equivalents which are included in the asset portfolio for asset / liability matching.

Consequently, all of LGL's financial assets are by default under IFRS 9 classified at fair value through profit or loss, except for derivative assets which are held for trading. The default classification includes financial assets that are mandatorily measured at fair value through profit or loss, as well as those that meet the business model assessment for fair value through profit or loss under IFRS 9.

The business models of subsidiaries of LGL have also been assessed. For the majority of these subsidiaries the business objective is an extension of LGL's business model and therefore the same fair value through profit or loss default classification applies for all financial assets. For a full list of financial assets and their classification, refer note 10.

Liberty Holdings Limited and other subsidiaries of the group: With regards to the rest of the Liberty's businesses, management have identified various remaining materially distinct business models, being long-term insurance outside South Africa, short-term insurance and health services, asset management, and investment holding companies. Within each type of business, portfolios of financial assets have different business models and each financial asset has been assessed individually in terms of IFRS 9.

Consolidation of money market unit trusts: As discussed below, certain unit trusts or mutual funds are consolidated under IFRS 10. Most of the funds that the group consolidates are net asset value (NAV) priced and the funds' performance is assessed on a fair value basis. The business model of the money market unit trust is to collect contractual cash flows, as well as to buy and sell the underlying financial instruments to achieve the desired yield for its investors. The assets are therefore classified at fair value through other comprehensive income. On consolidation of the STANLIB Institutional Money Market fund, any fair value gain or loss is disclosed in other comprehensive income.

Basis of consolidation

Interest in subsidiaries: Subsidiaries are defined as entities that are controlled by the group. In certain cases, the assessment of control requires the application of significant judgement. The current ability to direct the relevant activities of the investee (rather than the actual exercise of power), the nature of substantive or protective rights and voting rights are all considered when assessing whether the group controls another entity.

Key judgements in applying assumptions on application of accounting policies (continued)

for the year ended 31 December 2021

Unincorporated property partnerships: Where the group owns a majority stake in certain property partnerships and controls the management of those properties, including the power over all significant decisions around the use and maintenance of those properties, they are classified as businesses, and the group consolidates its interest in those property partnerships. Refer note 47.3 for details.

Interests in subsidiaries, joint ventures and associates – mutual funds: For mutual funds where the group does not have the irrevocable asset management agreement over the mutual funds and in which it has not invested significantly, factors such as the existence of control through voting rights held by the group in the fund or significant economic power in the fund, are considered in the assessment of control. Judgement is required in the assessment of whether the group has control, joint control or significant influence. Control is assessed in terms of the variability of returns from the group's involvement in the funds, the ability to use power to affect those returns and the significance of the group's investment in the funds. Based on the assessment of control or significant influence over these mutual funds, certain funds have been either classified as subsidiaries, joint ventures or associates respectively. Refer notes 7 and 8 for details.

Interests in joint arrangements: Joint arrangements are arrangements whereby the group and one or more other parties have joint control of an entity. Classification of a joint arrangement as either a joint operation or a joint venture depends on the contractual rights and obligations of the parties to the arrangement. Judgement is applied in determining whether the parties have joint control over the entity. Refer note 7 for details.

Interests in associates: An associate is an entity over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investment. Judgement is applied in assessing the entities where the group has the ability to exercise significant influence. In the case of voting rights, it is generally demonstrated by the group holding 20% or more of the voting power of the entity. Refer note 8 for details.

Properties classification and fair value measurement

The group invests in various properties which are predominantly owned for investment return. Certain properties house various of the group's insurance, investment holdings, health services and asset management operations and these are classified as "owner-occupied" properties under IAS 16. The balance of the properties is let to various tenants under lease agreements as defined under IFRS 16. These properties are classified as "investment properties" under IAS 40. Investment properties are measured at fair value by external valuation appraisers, taking into account characteristics of the properties that market participants would consider when pricing the property at measurement date.

The key assumptions in determination of the fair value are the rent reversion factors, exit capitalisation rates and discount rates. Other inputs considered relate to expense growth, rental growth, existing tenant terms, location, vacancy rates and restrictions, if any, on the sale or use of the asset. The group applies judgement regarding the unit of account, i.e. whether it should be valued as a stand-alone property or as a group of properties. Determination of fair value also considers the current use of the property in terms of its highest and best use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible. Management derived discount rates are risk adjusted to factor in liquidity and asset class risk.

The fair values of the investment properties in South Africa at 31 December 2021 have been revised in consultation with external valuators, considering the current economic environment and latest COVID-19 regulations and the estimated impact to all the valuation inputs. There have been no changes applied to the unit of account and derived use.

Valuations have been impacted by *inter alia*, the negative effect of COVID-19 on current year rentals and growth assumptions for the forecasted period, vacancy levels, the potential for negative rental reversions and the time required to re-let vacant space. In the prior year, the independent valuers noted a material valuation uncertainty for the retail, office and hospitality assets, whereas this only applied to hospitality assets in the current year. In spite of the material uncertainty noted by the independent valuers in respect of the hospitality assets, the group is satisfied with property valuations as at 31 December 2021.

Refer to note 4.4 Properties for specific details of the valuation techniques and assumptions applied as well as note 28.6.1 for a sensitivity analysis on the fair value of these properties to a change in the exit capitalisation and discount rates.

The owner-occupied properties are remeasured as appropriate in terms of IFRS guidance. The owner-occupied properties were externally valued during 2021 and the valuations adjusted accordingly, including aligning the valuation of one of the group's owner-occupied properties with a written purchase offer that is being considered. Refer to note 26 Non-current assets and disposal group assets and liabilities classified as held for sale for more detail.

Application of IFRS 16 *Leases* with regards to hotel agreements

During 2019 management entered into an arrangement with external parties regarding the day-to-day operations of the hotel activities relating to certain properties. There is significant judgement applied regarding the assessment of economic benefits between the different parties, and control over the relevant activities, being the day-to-day operations of the hotel. The key debate is the interpretation of whether the customer has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use.

Key judgements in applying assumptions on application of accounting policies (continued)

for the year ended 31 December 2021

Application of IFRS 16 paragraph B23 is a key judgement – "If a contract requires a customer to pay the supplier or another party a portion of the cash flows derived from use of an asset as consideration, those cash flows paid as consideration shall be considered to be part of the economic benefits that the customer obtains from use of the asset. For example, if the customer is required to pay the supplier a percentage of sales from use of retail space as consideration for that use, that requirement does not prevent the customer from having the right to obtain substantially all of the economic benefits from use of the retail space. This is because the cash flows arising from those sales are considered to be economic benefits that the customer obtains from use of the retail space, a portion of which it then pays to the supplier as consideration for the right to use that space."

The key judgement related to this paragraph is that the profit share clauses (payments made to the owners', equivalent to the net operating profits as referenced in the hotel agreement) are not relevant in the assessment of economic benefits. The decision to measure 'economic benefit' at the distribution or turnover line is an area of significant judgement. On the face of it the agreements provide for 98% of EBITDA to flow to the lessors, however where the lessee directs all the cash flow generated from the asset and pays the lessor a percentage of such flow, B23 provides for such cash flows to be included in the benefit received by the lessee. Therefore, substantially all the economic benefit rights belong to the customer and the arrangement is a lease as defined under IFRS 16.

Considering COVID-19 consequences, effective 27 March 2020, the current lease agreement was amended to suspend certain provisions of the lease until such time that the lessee is able to conduct viable economic activity at the hotel premises, which date shall be agreed by the parties to the addendum. In terms of the agreement, the lessee is not liable to pay the basic rental and turnover rental. This does not change the fact that the hotels were purchased to earn rental income and for capital appreciation. The agreement is temporary and, when agreed between the parties that viable economic activity can be conducted at the hotel premises, the terms of the original lease will prevail. This amendment is a change in the scope of the lease as a rental concession has been given to the lessee. These terms were not part of the original lease term and as a result constitute a lease modification. Given the uncertainty of when lockdown restrictions will be lifted and the complexity in estimating the lease income, the group has elected not to recognise any rental income for the hotels. The fair value of the hotels is disclosed as investment property in the Statement of financial position.

Accounting for change in agreement for Sandton Convention Centre

Effective 31 August 2020, the current lease agreement between the group and its tenant for the Sandton Convention Centre expired. Due to the pandemic, no new lease has currently been agreed upon and a transition management contract was entered into until 31 August 2021 which date was subsequently amended to continue indefinitely subject to certain conditions, including when there is more clarity around the pandemic. In certain cases, classification between owner-occupied and investment properties requires some judgement. Management is of the opinion that Sandton Convention Centre still meets the definition of an investment property in that the owners of the property are responsible for all capital expenditure, major repairs and maintenance, and the property is held for capital appreciation.

Accounting for rental relief discounts

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

- Category one: The group provided a discount on rentals due, which were in arrears, as well as deferrals of rental over a defined short-term period. At the date of the agreement the discounts offered related to previous months that had already been invoiced to tenants. In terms of the group's accounting policy election, rental income is recognised as 100% of the amount billed, and the retrospective rental relief is recognised as a negative fair value adjustment to property debtors. More detail is provided in note 34 'Fair value adjustments to assets held at fair value through profit or loss'.
- Category two: For those tenants that fit into the restaurant category and other small tenants, the rental relief offered was in the form of a rental determined on a turnover basis from July 2020 to December 2021, on a sliding scale basis. The revised rental relief methodology means that the tenants will be liable for a minimum of 10% of basic rental and property expense recoveries. This will increase based on turnover achieved as a percentage of historical turnover. At a level of 90 – 95% of historical turnover, a tenant will become liable for their full lease obligations including basic rental and property expense recoveries.

Key judgements in applying assumptions on application of accounting policies (continued)

for the year ended 31 December 2021

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

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

Fair value of unlisted financial instruments disclosed as level 3 in the fair value hierarchy

The fair value of financial instruments significantly affects the measurement of profit and loss and disclosures of financial risks in the financial statements. Fair value calculations are dependent on various sources of external and internal observable data and on sophisticated modelling techniques used to value financial instruments. Financial instruments disclosed as level 3 have more unobservable inputs and the valuation requires greater judgement and estimation in determining appropriate valuation techniques and obtaining relevant and reliable inputs.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process. The valuations of the private equity investments are performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. In determining the valuation of financial instruments disclosed as level 3, the principal assumptions used to determine the fair market value fall into the following categories, namely:

- the projected long-term profitability of the given asset which is influenced by factors such as real gross domestic product growth and projected capital expenditure;
- the discount rate applied to expected future cash flows which take into account the prevailing long-term interest rates and various asset-specific risk premia;
- for debt instruments, the internal credit ratings applicable to particular counterparties; and
- in some instances, a further illiquidity discount is added to ensure that the asset can be transacted at its carrying value, if so required.

Deferred taxation

Asset measurement: Deferred taxation assets are assessed for the probability of recovery based on the applicable estimated future business performance and related projected taxable income. The group's expected future activities and results support the recognition of the deferred tax assets where applicable, in accordance with the guidance provided in IAS 12 Income Taxes. Judgement is applied as to the timing of the utilisation of the deferred tax assets. The total amount arises from various group entities, mainly attributable to the utilisation of tax losses and to timing differences. The group expects the timing of future emergence of taxable profits to be between one and six years, depending on the entity.

Disposal groups held for sale

Total Health Trust (THT), a 100% owned group subsidiary, is under an agreement of sale, subject to various conditions (including regulatory approvals). Consequently, it is classified as held for sale at 31 December 2021 (and was also classified as held for sale at 31 December 2020). It remains highly probable that the business and net carrying values of assets and liabilities within THT will be recovered, within the next twelve months, principally through this sale transaction rather than continuing use. The sale is subject to various regulatory approvals that are required. At date of reporting only the Nigeria Health Insurance Scheme regulatory approval remains outstanding. This is expected to be received within sixty days. THT is available for immediate sale in its present condition.

A key judgement in this process is the determination of the fair value less costs to sell. Management have used the agreements of sale in the assessment of fair value less costs to sell. No impairments based on current values were required for the year ended 31 December 2021. Further details are contained in note 26.

Cash flow statement

Management consider it appropriate, given the nature of conducting insurance operations, for all cash flows relating to investment portfolios backing policyholder liabilities (which includes investment properties, owner-occupied properties and financial instruments) and supporting regulatory and group risk adjusted minimum capital levels, to be reflected as cash flows from operating activities rather than as cash flows from investing activities.

Summary of the group's assets and liabilities by measurement basis

as at 31 December 2021

	Financial position measurement basis						
2021 Rm	Fair value through profit or loss[1]	Fair value through OCI	Financial soundness[2]	Cost less amortisation[3]	Amortised cost[4]	Other	Total
Assets							
Intangible assets				358		87	445
Defined benefit pension fund employer surplus						105	105
Properties	29 314	936					30 250
Equipment				488			488
Right-of-use assets				398			398
Interest in joint ventures						54	54
Interests in associates	21 731					9	21 740
Deferred taxation						242	242
Deferred acquisition costs				780			780
Long-term policyholder assets – insurance contracts			2 868				2 868
Reinsurance assets			3 000			526	3 526
Long-term insurance			3 000				3 000
Short-term insurance						526	526
Financial instruments	377 701	23 262			221		401 184
Assets held for trading and for hedging	15 455						15 455
Repurchase agreements, scrip and collateral assets	3 826						3 826
Prepayments, insurance and other receivables	1 693				771	3 048	5 512
Non-current assets and disposal group assets classified as held for sale						536	536
Cash and cash equivalents	13 496				9 646		23 142
Total assets	463 216	24 198	5 868	2 024	10 638	4 607	510 551
Percentage (%)	90,8	4,7	1,1	0,4	2,1	0,9	100,0
Liabilities							
Long-term policyholder liabilities	123 947		239 076				363 023
Insurance contracts			229 944				229 944
Investment contracts with discretionary participation features			9 132				9 132
Long-term policyholder liabilities under investment contracts	123 947						123 947
Reinsurance liabilities			205				205
Third-party financial liabilities arising on consolidation of mutual funds	72 734						72 734
Provisions						140	140
Deferred taxation						2 096	2 096
Deferred revenue				371			371
Short-term insurance liabilities						1 170	1 170
Financial liabilities	6 609				2 035		8 644
Lease liabilities					444		444
Liabilities held for trading and for hedging	11 485						11 485
Repurchase agreements liabilities and collateral deposits payable	5 988						5 988
Employee benefits						1 585	1 585
Disposal group liabilities classified as held for sale						96	96
Insurance and other payables	4 304				852	9 041	14 197
Current taxation						680	680
Total liabilities	225 067		239 281	371	3 331	14 808	482 858
Percentage (%)	46,6		49,6	0,1	0,7	3,1	100,0

[1] *Fair value through profit or loss includes all IFRS 9 fair value through profit or loss classifications.*
[2] *Financial soundness valuation methodology is defined in Appendix E.*
[3] *Cost less amortisation is original cost less straight-line amortisation over defined periods, limited to residual value.*
[4] *Amortised cost utilising the effective interest rate method.*

Summary of the group's assets and liabilities by measurement basis (continued)

for the year ended 31 December 2021

	Financial position measurement basis						
2020 Rm	**Fair value through profit or loss[1]**	**Fair value through OCI**	**Financial soundness[2]**	**Cost less amortisation[3]**	**Amortised cost[4]**	**Other**	**Total**
Assets							
Intangible assets				402		96	498
Defined benefit pension fund employer surplus						89	89
Properties	29 598	1 225					30 823
Equipment				548			548
Right-of-use assets				463			463
Interest in joint ventures	449					61	510
Interests in associates	20 953					9	20 962
Deferred taxation						240	240
Deferred acquisition costs				784			784
Long-term policyholder assets – insurance contracts			5 050				5 050
Reinsurance assets			2 585			497	3 082
Long-term insurance			2 585				2 585
Short-term insurance						497	497
Financial instruments	320 543	34 998			230		355 771
Assets held for trading and for hedging	23 503						23 503
Repurchase agreements, scrip and collateral assets	8 617						8 617
Prepayments, insurance and other receivables	3 101				714	1 998	5 813
Disposal group assets classified as held for sale						213	213
Cash and cash equivalents	11 875				6 757		18 632
Total assets	418 639	36 223	7 635	2 197	7 701	3 203	475 598
Percentage (%)	88,0	7,6	1,6	0,5	1,6	0,7	100,0
Liabilities							
Long-term policyholder liabilities	106 954		218 238				325 192
Insurance contracts			208 904				208 904
Investment contracts with discretionary participation features			9 334				9 334
Long-term policyholder liabilities under investment contracts	106 954						106 954
Reinsurance liabilities			206				206
Third-party financial liabilities arising on consolidation of mutual funds	61 505						61 505
Provisions						140	140
Deferred taxation						2 278	2 278
Deferred revenue				345			345
Short-term insurance liabilities						1 058	1 058
Financial liabilities	7 408				2 775		10 183
Lease liabilities					480		480
Liabilities held for trading and for hedging	18 105						18 105
Repurchase agreements liabilities and collateral deposits payable	11 512						11 512
Employee benefits						1 341	1 341
Disposal group liabilities classified as held for sale						92	92
Insurance and other payables	6 625				902	7 427	14 954
Current taxation						210	210
Total liabilities	212 109		218 444	345	4 157	12 546	447 601
Percentage (%)	47,4		48,8	0,1	0,9	2,8	100,0

[1] *Fair value through profit or loss includes all IFRS 9 fair value through profit or loss classifications.*
[2] *Financial soundness valuation methodology is defined in Appendix E.*
[3] *Cost less amortisation is original cost less straight-line amortisation over defined periods, limited to residual value.*
[4] *Amortised cost utilising the effective interest rate method.*

Guide to the group annual financial statements and notes

CONTENTS		Page
Consolidated statement of financial position		27
Consolidated statement of comprehensive income		28
Consolidated statement of changes in equity		30
Consolidated statement of cash flows		32
Notes to the consolidated annual financial statements		33
1	Headline loss and loss per share	33
2	Segment information	35
3	Intangible assets	44
4	Properties	47
5	Equipment	50
6	Right-of-use assets	52
7	Interests in joint ventures	52
8	Interests in associates	54
9	Deferred acquisition costs	57
10	Financial instruments	58
11	Repurchase agreements, scrip and collateral assets	67
12	Prepayments, insurance and other receivables	68
13	Cash and cash equivalents	68
14	Long-term policyholder and reinsurance assets and liabilities	69
15	Long-term policyholder liabilities under investment contracts	74
16	Third-party financial liabilities arising on consolidation of mutual funds	74
17	Provisions	74
18	Deferred taxation	75
19	Deferred revenue	76
20	Short-term insurance liabilities and reinsurance assets	77
21	Financial liabilities	78
22	Lease liabilities	81
23	Repurchase agreements liabilities and collateral deposits payable	82
24	Employee benefits	83

CONTENTS		Page
25	Insurance and other payables	89
26	Non-current assets and disposal group assets and liabilities classified as held for sale	90
27	Summary of the group's financial, property, insurance and reinsurance assets and long-term policyholder and reinsurance liabilities per class	93
28	Fair value hierarchy	94
29	Share capital and share premium	107
30	Premiums	108
31	Revenue from contracts with customers	109
32	Investment income	109
33	Interest income on financial assets using the effective interest rate method	109
34	Fair value adjustments to assets held at fair value through profit or loss	110
35	Claims and policyholder benefits	110
36	Acquisition costs	111
37	General marketing and administration expenses	111
38	Share-based payments	112
39	Finance costs	115
40	Fair value adjustment to financial liabilities	115
41	Corporate transactions	116
42	Taxation	116
43	Cash flow statement notes	119
44	Related party disclosures	120
45	Commitments	126
46	Black Economic Empowerment (BEE) transaction	127
47	Details of non-wholly owned subsidiaries that have significant non-controlling interests	128
48	Interests in unconsolidated structured entities	130
49	Contingent liability	132
50	Going concern	132
51	Events after reporting date	133

Consolidated statement of financial position

as at 31 December 2021

Accounting Policy ref[1]	Rm	Notes	2021	2020
	Assets			
6.4	Intangible assets	3	445	498
8.1	Defined benefit pension fund employer surplus	24.1	105	89
6.1-6.2	Properties	4	30 250	30 823
6.5	Equipment	5	488	548
6.3	Right-of-use assets	6	398	463
2, 4.1	Interests in joint ventures	7	54	510
2, 4.1	Interests in associates	8	21 740	20 962
8.4	Deferred taxation	18	242	240
5.6	Deferred acquisition costs	9	780	784
5	Long-term policyholder assets – insurance contracts	14	2 868	5 050
5.9	Reinsurance assets		3 526	3 082
	Long-term insurance	14	3 000	2 585
	Short-term insurance	20.1	526	497
4.1	Financial instruments	10.1	401 184	355 771
4.1	Assets held for trading and for hedging	10.3	15 455	23 503
4.1	Repurchase agreements, scrip and collateral assets	11	3 826	8 617
4.1	Prepayments, insurance and other receivables	12	5 512	5 813
8.6	Non-current assets and disposal group assets classified as held for sale	26	536	213
4.1	Cash and cash equivalents	13	23 142	18 632
	Total assets		510 551	475 598
	Liabilities			
5	Long-term policyholder liabilities		363 023	325 192
5	Insurance contracts	14	229 944	208 904
5	Investment contracts with discretionary participation features	14	9 132	9 334
5	Long-term policyholder liabilities under investment contracts	15	123 947	106 954
5.9	Reinsurance liabilities	14	205	206
	Third-party financial liabilities arising on consolidation of mutual funds	16	72 734	61 505
8.5	Provisions	17	140	140
8.4	Deferred taxation	18	2 096	2 278
5, 8.2	Deferred revenue	19	371	345
5	Short-term insurance liabilities	20.1	1 170	1 058
4.2	Financial liabilities	21	8 644	10 183
6.3	Lease liabilities	22.1	444	480
4.5, 4.2	Liabilities held for trading and for hedging	10.3	11 485	18 105
4.6	Repurchase agreements liabilities and collateral deposits payable	23	5 988	11 512
8.1	Employee benefits	24.1	1 585	1 341
8.6	Disposal group liabilities classified as held for sale	26	96	92
5	Insurance and other payables	25	14 197	14 954
8.4	Current taxation		680	210
	Total liabilities		482 858	447 601
	Equity			
7	Shareholders' equity		20 973	21 013
	Share capital	29	26	26
	Share premium	29	4 856	4 952
	Retained surplus		17 082	17 221
	Other reserves		(991)	(1 186)
2	Non-controlling interests	47.1	6 720	6 984
	Total equity		27 693	27 997
	Total equity and liabilities		510 551	475 598

[1] *Accounting policy reference in Appendix A.*

Consolidated statement of comprehensive income

for the year ended 31 December 2021

Accounting Policy ref[1]	Rm	Notes	2021	2020
	Revenue			
5, 8.2	Insurance premiums	30	47 085	41 816
5, 8.2	Reinsurance premiums	30	(2 721)	(2 614)
	Net insurance premiums		44 364	39 202
8.2	Revenue from contracts with customers	31	3 542	3 400
4.1, 8.2	Investment income	32	2 894	2 946
8.2	Interest income on financial assets using the effective interest rate method	33	1 541	1 648
4.1, 6	Fair value adjustments to assets held at fair value through profit or loss	34	64 208	18 847
	Total income		116 549	66 043
5	Claims and policyholder benefits under insurance contracts	35	(48 673)	(40 224)
5	Insurance claims recovered from reinsurers	35	3 466	2 161
5	Change in long-term policyholder assets and liabilities		(22 572)	(2 291)
	Liabilities under insurance contracts		(21 021)	(1 848)
	Policyholder assets related to insurance contracts		(2 182)	(1 967)
	Investment contracts with discretionary participation features		220	889
	Applicable to reinsurers		411	635
5, 6	Fair value adjustment to long-term policyholder liabilities under investment contracts	15	(17 629)	(5 251)
4.2	Fair value adjustment to financial liabilities	40	(697)	(1 189)
4.2	Fair value adjustment on third-party mutual fund interests	16	(10 334)	(4 488)
5.4	Acquisition costs	36	(4 219)	(4 058)
	General marketing and administration expenses	37	(12 098)	(11 264)
6.4	Goodwill impairment	3	(14)	
8.6	Remeasurement of disposal groups classified as held for sale	26.1		35
4.2, 6.3	Finance costs	39	(264)	(252)
	Profit share allocations under bancassurance and other agreements		(1 326)	(1 472)
2	(Loss)/profit on disposal/dissolution of subsidiaries	1	(3)	14
2	Equity accounted earnings from joint ventures	7.1	11	18
2	Equity accounted losses from associates	8.1		(1)
	Profit/(loss) before taxation		2 197	(2 219)
8.4	Taxation[2]	42.1	(2 070)	(403)
	Total earnings/(loss)		127	(2 622)

[1] *Accounting policy reference in Appendix A.*

[2] *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.*

Consolidated statement of comprehensive income (continued)

for the year ended 31 December 2021

Accounting Policy ref[1]	Rm	Notes	2021	2020
	Total earnings/(loss)		127	(2 622)
	Other comprehensive loss		(8)	(53)
	Items that may be reclassified subsequently to profit or loss		92	(60)
4.5	Net adjustments on total cash flow hedges	10.6	21	(14)
8.4	Income and capital gains tax relating to net adjustments in fair value on total cash flow hedges	42	(6)	4
3	Foreign currency translation		77	(50)
	Items that may not be reclassified subsequently to profit or loss		(100)	7
6.2	Owner-occupied properties – fair value adjustment	4	(190)	(84)
8.4	Income and capital gains tax relating to owner-occupied properties fair value adjustment	42	46	14
5	Change in long-term policyholder insurance liabilities (application of shadow accounting)		28	25
8.1	Actuarial gains on post-retirement medical aid liability	24.7	3	56
8.4	Income tax relating to post-retirement medical aid liability	42	(1)	(16)
8.1	Net adjustments to defined benefit pension fund[2]	24.5	18	(24)
8.4	Income tax relating to defined benefit pension fund	42	(5)	7
4.2	Fair value adjustments to financial liabilities arising from own credit	21.1	1	40
8.4	Income tax relating to fair value adjustments to financial liabilities arising from own credit	42		(11)
	Total comprehensive income/(loss)		119	(2 675)
	Total (loss)/earnings attributable to:			
	Shareholders' equity		(234)	(1 613)
2	Non-controlling interests		361	(1 009)
			127	(2 622)
	Total (loss)/earnings attributable to:			
	Shareholders' equity		(266)	(1 647)
2	Non-controlling interests		385	(1 028)
			119	(2 675)
	Basic and fully diluted loss per share		Cents	Cents
	Basic loss per share	1	(89,5)	(611,7)
	Fully diluted basic loss per share	1	(85,3)	(588,8)

(1) *Accounting policy reference in Appendix A.*

(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.*

Consolidated statement of changes in equity

for the year ended 31 December 2021

Rm	Capital treasury reserve and CRRF	Items that may be reclassified subsequently to profit or loss			
		Em-powerment reserve	FCTR[1]	Total cash flow hedge reserve[4]	Debt instruments[5]
Balance at 1 January 2020	3 509	(78)	140	(91)	19
Transaction between owners – Liberty Two Degrees[3]					
Disposal of interest in Liberty General Insurance Malawi (refer note 26)					
Total comprehensive (loss)/income			(31)	(10)	
FCTR[1] recycled through profit & loss			2		
Ordinary dividends (total 436 cents per share)					
Preference dividends					
Unincorporated property partnerships					
Capital contribution					
Distribution					
Non-controlling interests' share of subsidiary distributions					
Share buy-back[2]	(362)				
Black economic empowerment transaction		14			
Share-based payments					
Transfer of vested share-based payments					
Net movements in owner-occupied properties					
Balance at 31 December 2020	**3 147**	**(64)**	**111**	**(101)**	**19**
Transaction between owners – Liberty Two Degrees[3]					
Acquisition of additional interest in Liberty Holdings Kenya (refer note 41.2)			**28**		
Non-controlling interests' share of shares issued by Liberty General Insurance Uganda					
Total comprehensive income/(loss)			**53**	**15**	
Preference dividends					
Unincorporated property partnerships					
Capital contribution					
Distribution					
Non-controlling interests' share of subsidiary distributions					
Share subscriptions[2]	**41**				
Share-based payments					
Transfer of vested share-based payments					
Net movements in owner-occupied properties					
Balance at 31 December 2021	**3 188**	**(64)**	**192**	**(86)**	**19**
Share capital	**26**				
Share premium	**4 856**				
Treasury share reserve	**(1 697)**				
Capital Redemption Reserve Fund (CRRF)	**3**				

(1) *FCTR: Foreign Currency Translation Reserve.*

(2) *Share buy-backs are purchases of shares from the market to meet employee share-based payment obligations and to hold as treasury shares and subscriptions are the sales of shares on cancellation of employee share-based payment obligations. Refer note 38 for details of share schemes.*

(3) *Transaction between owners refers to the acquisition or disposal of L2D shares between LGL investment portfolios to match policyholder obligations during the year.*

(4) *The total cash flow hedge reserve includes the cash flow hedge reserve and the foreign currency basis spread reserve.*

(5) *Debt instruments measured at FVOCI.*

Items that may not be reclassified subsequently to profit or loss								
Owner-occupied properties	Application of shadow accounting	Post-retirement medical aid liability	Defined benefit pension fund	Financial liabilities own credit	Share-based payment reserve	Retained surplus	Non-controlling interests	Total
350	47	124	(97)	(41)	304	19 882	8 321	32 389
						35	(79)	(44)
							8	8
(70)	25	40	(17)	29		(1 613)	(1 028)	(2 675)
							2	4
					(23)	(1 176)		(1 199)
						(2)		(2)
							(124)	(124)
							40	40
							(164)	(164)
							(123)	(123)
								(362)
						3		17
					101		7	108
					(42)	42		
(50)						50		
230	**72**	**164**	**(114)**	**(12)**	**340**	**17 221**	**6 984**	**27 997**
						25	**(103)**	**(78)**
						15	**(163)**	**(120)**
							7	**7**
(144)	**28**	**2**	**13**	**1**		**(234)**	**385**	**119**
						(2)		**(2)**
							(210)	**(210)**
							13	**13**
							(223)	**(223)**
							(182)	**(182)**
								41
					119		**2**	**121**
					(91)	**91**		
34						**(34)**		
120	**100**	**166**	**(101)**	**(11)**	**368**	**17 082**	**6 720**	**27 693**

Consolidated statement of cash flows

for the year ended 31 December 2021

Rm	Notes	2021	2020
Cash flows from operating activities		11 660	(929)
Cash utilised by operations	43.1	(9 887)	(11 299)
Cash receipts from policyholders		66 579	58 144
Cash paid to policyholders, intermediaries, suppliers and employees		(76 466)	(69 443)
Interest income on financial assets using the effective interest rate method	33	1 541	1 648
Finance costs	39	(264)	(252)
Distributions paid	43.2	(1 592)	(2 746)
Distribution to non-controlling interests in unincorporated property partnerships		(223)	(164)
Taxation paid	43.3	(1 758)	(1 243)
Purchase of properties and capitalised subsequent expenditure	4	(131)	(292)
Proceeds on sales of properties	4	5	370
Net disposals of financial instruments[1], [2]	10.9	24 744	14 938
Proceeds on realisation of fair value gain on cash and cash equivalents (interest received)	34	283	749
Repayment of collateral deposits payable[3]	23.2	(1 058)	(2 638)
Cash flows from investing activities		(286)	(290)
Purchase of equipment	5	(161)	(347)
Proceeds on sale of equipment	5	14	41
Acquisition of intangible assets	3	(194)	(174)
Net disposals of financial instruments[1]	10.9	25	356
Movements in loans with joint ventures	7.1	(1)	(1)
Acquisition of business operations of i3 Actuaries (Pty) Ltd	41.4	(10)	
Proceeds on disposal of disposal groups classified as held for sale	26.2	9	2
Cash flows used in investing activities in disposal groups held for sale		32	(167)
Cash flows from financing activities		(6 914)	2 466
Repayment of financial liabilities[3]	21.2	(6 755)	(5 043)
Advance of financial liabilities	21.2	4 808	6 975
Repayment of lease liability	22.1	(76)	(86)
Issue of repurchase agreements liabilities	23.1	25 437	23 492
Repayment of repurchase agreements liabilities[3]	23.1	(30 191)	(22 506)
Non-controlling interests' capital movements in unincorporated property partnerships		13	40
Acquisition of non-controlling interests in Liberty Holdings Kenya	41.2	(120)	
Non-controlling interests' share of shares issued by Liberty General Insurance Uganda		7	
Transaction between owners - Liberty Two Degrees		(78)	(44)
Share subscriptions/(buy-back)		41	(362)
Net increase in cash and cash equivalents		4 460	1 247
Cash and cash equivalents at the beginning of the year		18 632	17 377
Foreign currency translation		50	(44)
Disposal group assets reclassified as held for use			52
Cash and cash equivalents at the end of the year	13	23 142	18 632

[1] *This includes the net purchases of mutual funds that are classified as associates and subsidiaries. The nature of a business of a long-term insurer is to actively trade financial instruments on a daily basis and it is impracticable to disclose investment cash flows on a gross level. The additions and purchases are further exaggerated by investments being allocated across five tax funds inherent in the taxation of long-term insurers.*

[2] *Included in the disposals of financial instruments for 2021 was R2 963 million (2020: R3 070 million) related to dividends received and R9 967 million (2020: R10 283 million) related to interest income.*

[3] *Included in the net repayment of collateral deposits payable, repayment of financial liabilities and repayment of repurchase agreements liabilities is R706 million (2020: R1 168 million) related to finance costs.*

1. Headline loss and loss per share

Rm	2021	2020
Reconciliation of total loss to headline loss attributable to shareholders		
Total loss attributable to shareholders	(234)	(1 613)
Preference share dividend	(2)	(2)
Basic loss attributable to ordinary shareholders	(236)	(1 615)
Goodwill and intangible assets impairments	162	174
Tax on headline earnings adjustable item	(41)	(49)
Net loss/(profit) on disposal/dissolution of subsidiaries	3	(14)
Gross loss/(profit) on disposal of subsidiaries, net of transaction costs (refer note 26.2)	1	(18)
Loss on dissolution of subsidiaries	2	
FCTR recycled through profit or loss (refer note 26.2)		4
Remeasurement of disposal groups held for sale (refer note 26.1)		(35)
Headline loss attributable to ordinary shareholders	(112)	(1 539)
Net income earned on BEE preference shares	3	4
Reversal of accounting mismatch arising on consolidation of L2D, net of tax	53	(37)
Normalised headline loss attributable to ordinary shareholders	(56)	(1 572)

	Cents	Cents
Loss per share		
Total loss attributable to ordinary shareholders		
Basic	(89,5)	(611,7)
Headline	(42,5)	(582,9)
Normalised headline	(20,8)	(582,9)
Fully diluted loss attributable to ordinary shareholders		
Basic	(85,3)	(588,8)
Headline	(40,5)	(561,1)

Definitions

Basic loss per share

Basic loss per share is basic loss attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

Headline loss attributable to ordinary shareholders

Headline loss per share is a disclosure requirement in terms of Johannesburg Stock Exchange's (JSE) Listings Requirements for companies listed on the JSE. Circular 1/2021, issued by the South African Institute of Chartered Accountants at the request of the JSE, stipulates the requirements for the calculation of headline earnings.

Liberty applies the long-term insurance industry exemption contained in Circular 1/2021 which allows for no headline loss adjustment in respect of realised or unrealised remeasurements of investment properties. Disclosure of headline loss is not a requirement of International Financial Reporting Standards (IFRS).

Headline loss per share is calculated by dividing the headline earnings by the weighted average number of shares in issue during the year.

Normalised headline loss attributable to ordinary shareholders

Normalised headline loss per share is presented to reflect the economic substance rather than the technical accounting treatment under IFRS of two specific transactions as detailed in the following paragraphs.

Accordingly, normalised headline loss per share is headline loss per share adjusted only for:

- accrued dividends on BEE preference shares (not recognised as a financial asset); plus
- reversal of accounting mismatch arising on consolidation of L2D (listed REIT), net of tax;
- divided by the weighted average of ordinary shares assuming the BEE allocated shares are in issue.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

1. Headline loss and loss per share (continued)

BEE transaction

The application of IFRS to the BEE transaction specifies that the full number of applicable ordinary shares will continue as a deduction in deriving the weighted average number of shares in issue for earnings per share calculations. These shares will be considered in issue only to the extent that the preference shares are held by external parties at risk or if redeemed in full. This treatment distorts the economic reality and an adjustment for net income earned on BEE preference shares is included in normalised headline earnings per share to better reflect shareholder economic earnings.

Refer to note 46 for full details of Liberty's 2004 BEE transaction.

Reversal of accounting mismatch arising on consolidation of L2D

L2D, a subsidiary of LHL, is listed as a corporate REIT. Liberty Group Limited (LGL) issued contracts to policyholders, the returns of which are contractually linked to the L2D shares. LGL has, on behalf of these policyholders, invested in the listed shares to match this obligation.

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 LGL'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 obligations to LGL'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.

The financial effects of this accounting mismatch have been adjusted for in presenting normalised headline earnings per share in order to better reflect the economic reality of the group's earnings arising from the interests held in L2D.

Fully diluted basic and headline loss per share

Fully diluted basic and headline loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Both the BEE transaction and share rights/restricted share plans could potentially cause dilution. A calculation is performed, in respect of the BEE transaction and share rights to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share rights, adjusted for any share-based payment expense recognised. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share rights. In respect of the restricted share schemes the dilution is calculated by assuming all shares unvested will vest. It should be noted that since 2013, the group restricted long-term share plan includes financial performance conditions that are imposed on the awards in order for vesting to take place. The dilution calculation does not take into consideration the probability of these conditions being met. Details of the conditions imposed can be found in the group's Remuneration Report.

000's	2021	2020
Weighted average number of shares in issue	**263 576**	264 036
Weighted average shares before BEE transaction	268 735	269 696
Effect of BEE transaction	(5 159)	(5 660)
Fully diluted weighted average number of shares in issue	**276 529**	274 299
Weighted average number of shares in issue	263 576	264 036
Adjustments for:		
Implementation of shares under option and rights below fair value	2	2
Effect of performance reward plan	4 075	1 463
Effect of restricted share plans	4 591	4 556
Effect of BEE transaction	4 285	4 242

2. Segment information

Liberty is a matrix organisation delivering mainly financial products and services to individuals, corporates and individual groupings (e.g. retirement funds).

The primary segments 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 consist 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).

The group's IFRS 8 reportable segments are aligned to these operations.

The group accounts for inter-segment revenues and transfers as if the transactions were with third parties. There is no single external customer that provides 10% or more of the group's revenues.

The profit or loss information follows a similar format to the consolidated statement of comprehensive income. Total earnings are reconciled to normalised headline earnings, which is one of the key performance measures reported to the group's chief operating decision makers. The group's business unit chief executives and the group's financial director, who report directly to the group chief executive, are the chief operating decision makers within the group. The group uses additional measures to assess the performance of each of the operating segments. These measures include indexed new business, value of new business, new business margins, net customer cash flows, assets under management and group equity value.

Management provides a reconciliation to the business units, which follows similar lines to the above primary segments, except in addition showing the earnings from LibFin.

LibFin Markets manages the asset-liability mismatch risks arising in the South African life insurance business, primarily resulting from the guaranteed investment product set and capitalised margins (asset/liability matching portfolio). Furthermore LibFin Markets also originates and manages credit assets backing the guaranteed investment product set (credit portfolio).

LibFin manages the performance of shareholder investment exposures in the South African life insurance business (the Shareholder Investment Portfolio (SIP)).

Furthermore the South African long-term insurance operations is split by product classification within the operating segments.

Definitions

South African operations

SA Retail

Provides insurance and investment solutions to individual customers.

Liberty Corporate

Provides insurance and investment solutions mainly to formally governed groupings of individuals, corporates and retirement funds across South Africa.

Other operations

Other operations include:

Investment portfolios

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.

Governance and strategic execution

Costs associated with the group's governance, investor relations, strategy co-ordination and certain corporate social investment and black economic empowerment activities.

STANLIB South Africa

Provides asset management capabilities under the STANLIB brand to manage asset flows.

Africa regions

Liberty Africa Insurance

Retail and institutional long- and short- term insurance in African countries.

Liberty Health

Short-term health insurance in various countries.

STANLIB Africa

Provides asset management capabilities under the STANLIB brand in Africa regions to manage asset flows.

Reporting adjustments

The information in the segment report is presented on the same basis as reported to management. Reporting adjustments are those accounting reclassifications and entries required to produce IFRS compliant results. Specific details of these adjustments are included as footnotes.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

2. Segment information (continued)

Segment earnings

2021 Rm	South African operations		
	Insurance operations		
	SA Retail	Liberty Corporate	Other operations
Net insurance premiums	49 595	11 132	
Investment returns	48 460	10 341	1 674
Revenue from contracts with customers	293	71	153
Total income	98 348	21 544	1 827
Net claims and policyholder benefits	(49 323)	(12 418)	
Change in long-term policyholder assets and liabilities	(30 613)	(8 474)	
Fair value adjustment to policyholders' liabilities under investment contracts			
Fair value adjustment to financial liabilities	(4 955)	(54)	5
Fair value adjustment on third party mutual fund interests			
Acquisition costs	(3 527)	(266)	(18)
Marketing and administration expenses	(6 546)	(1 400)	(1 215)
Goodwill impairment	(11)	(3)	
Finance costs	(82)	(15)	(152)
Profit share allocation	(1 186)	(1)	
Loss on disposal/dissolution of subsidiaries			(2)
Equity accounted earnings from joint ventures			
Profit/(loss) before taxation	2 105	(1 087)	445
Taxation	(2 073)	350	(122)
Total earnings/(loss)	32	(737)	323
Reconciliation of total earnings to headline earnings/(loss) attributable to shareholders			
Total earnings	32	(737)	323
Attributable to non-controlling interests		(1)	(100)
Preference share dividend			(2)
Loss on disposal/dissolution of subsidiaries			2
Goodwill and intangible assets impairments	28	93	
Headline (loss)/earnings	60	(645)	223
Net income earned on BEE preference shares			3
Reversal of accounting mismatch arising on consolidation of L2D			53
Normalised headline earnings/(loss)	60	(645)	279
Reconciliation of business unit earnings/(loss) to segment result			
South African Insurance Operations	1 158	177	(27)
SA Retail	871		
Liberty Corporate		41	
Liberty Corporate - Fund rehabilitation			(27)
LibFin Markets	287	136	
South African Asset Management			
STANLIB South Africa			
Africa Regions			
Liberty Africa Insurance			
Liberty Health			
STANLIB Africa			
Shareholder Investment Portfolio	871	11	672
Group Strategic Initiatives			(368)
Central costs and sundry income			2
Excess COVID-19 risk claims not covered by the pandemic reserve, net of taxation and non-controlling interests' share	(608)	(464)	
COVID-19 pandemic reserve recalibration, net of taxation and non-controlling interests' share	(1 361)	(369)	
Normalised headline earnings/(loss)	60	(645)	279

(1) *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of mutual fund subsidiaries, 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 intragroup transactions.*

Asset management	Africa Regions					
STANLIB South Africa	Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total	Reporting adjustments[1]	IFRS reported
	2 241	890		63 858	(19 494)	44 364
93	654	32	16	61 270	7 373	68 643
2 338	172	51	149	3 227	315	3 542
2 431	3 067	973	165	128 355	(11 806)	116 549
	(1 552)	(668)		(63 961)	18 754	(45 207)
	(419)			(39 506)	16 934	(22 572)
					(17 629)	(17 629)
				(5 004)	4 307	(697)
					(10 334)	(10 334)
(237)	(329)	(9)	(4)	(4 390)	171	(4 219)
(1 503)	(738)	(395)	(124)	(11 921)	(177)	(12 098)
				(14)		(14)
(29)	(4)		(1)	(283)	19	(264)
(45)	(94)			(1 326)		(1 326)
	(1)			(3)		(3)
11				11		11
628	(70)	(99)	36	1 958	239	2 197
(156)	(42)	(18)	(9)	(2 070)		(2 070)
472	(112)	(117)	27	(112)	239	127
472	(112)	(117)	27	(112)	239	127
	(16)	(2)	(3)	(122)	(239)	(361)
				(2)		(2)
	1			3		3
				121		121
472	(127)	(119)	24	(112)		(112)
				3		3
				53		53
472	(127)	(119)	24	(56)		(56)
				1 308		
				871		
				41		
				(27)		
				423		
472				472		
	30	(119)	24	(65)		
	30			30		
		(119)		(119)		
			24	24		
				1 554		
				(368)		
				2		
	(136)			(1 208)		
	(21)			(1 751)		
472	(127)	(119)	24	(56)		

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

2. Segment information (continued)

2020 Rm	South African operations		
	Insurance operations		
	SA Retail	Liberty Corporate	Other operations
Net insurance premiums	42 544	9 715	
Investment returns	15 555	4 305	1 445
Revenue from contracts with customers	155	69	113
Total income	58 254	14 089	1 558
Net claims and policyholder benefits	(43 056)	(13 166)	
Change in long-term policyholder assets and liabilities	(2 846)	653	
Fair value adjustment to policyholders' liabilities under investment contracts			
Fair value adjustment to financial liabilities	(4 650)	(138)	8
Fair value adjustment on third party mutual fund interests			
Acquisition costs	(3 087)	(315)	(26)
Marketing and administration expenses	(5 850)	(1 273)	(1 155)
Remeasurement of disposal groups held for sale			
Finance costs	(76)	(19)	(150)
Profit share allocation	(1 316)	(1)	
Profit on sale of subsidiary			14
Equity accounted earnings from joint ventures			
Equity accounted earnings from associates	(1)		
(Loss)/profit before taxation	(2 628)	(170)	249
Taxation	(98)	47	(85)
Total (loss)/earnings	(2 726)	(123)	164
Reconciliation of total earnings to headline (loss)/earnings attributable to shareholders			
Total earnings	(2 726)	(123)	164
Attributable to non-controlling interests			619
Preference share dividend			(2)
Profit on sale of subsidiary			(14)
Remeasurement of disposal groups held for sale			
Impairment of intangible assets	37	65	23
Headline (loss)/earnings	(2 689)	(58)	790
Net income earned on BEE preference shares			4
Reversal of accounting mismatch arising on consolidation of L2D			(37)
Normalised headline (loss)/earnings	(2 689)	(58)	757
Reconciliation of business unit (loss)/earnings to segment result			
South African Insurance Operations	446	319	(80)
SA Retail	484		
Liberty Corporate		114	
Liberty Corporate - Fund rehabilitation			(80)
LibFin Markets	(38)	205	
South African Asset Management			
STANLIB South Africa			
Africa Regions			
Liberty Africa Insurance			
Liberty Health			
STANLIB Africa			
Shareholder Investment Portfolio	(1 126)	(35)	1 188
Group Strategic Initiatives			(307)
Central costs and sundry income	(63)		(44)
Excess COVID-19 risk claims not covered by the pandemic reserve, net of taxation and non-controlling interests' share		(76)	
Establishment of COVID-19 pandemic reserve, net of taxation and non-controlling interests' share	(1 946)	(266)	
Normalised headline (loss)/earnings	(2 689)	(58)	757

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of mutual fund subsidiaries, 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 intragroup transactions.*

Asset management	Africa Regions					
STANLIB South Africa	Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total	Reporting adjustments[1]	IFRS reported
	2 321	950		55 530	(16 328)	39 202
78	507	45	4	21 939	1 502	23 441
2 476	168	66	148	3 195	205	3 400
2 554	2 996	1061	152	80 664	(14 621)	66 043
	(1 375)	(727)		(58 324)	20 261	(38 063)
	(189)			(2 382)	91	(2 291)
					(5 251)	(5 251)
				(4 780)	3 591	(1 189)
					(4 488)	(4 488)
(315)	(352)		(5)	(4 100)	42	(4 058)
(1 587)	(797)	(412)	(105)	(11 179)	(85)	(11 264)
	3	32		35		35
(8)	(4)	(1)	(1)	(259)	7	(252)
(43)	(112)			(1 472)		(1 472)
				14		14
18				18		18
				(1)		(1)
619	170	(47)	41	(1 766)	(453)	(2 219)
(153)	(83)	(20)	(11)	(403)		(403)
466	87	(67)	30	(2 169)	(453)	(2 622)
466	87	(67)	30	(2 169)	(453)	(2 622)
	(60)		(3)	556	453	1 009
				(2)		(2)
				(14)		(14)
	(3)	(32)		(35)		(35)
				125		125
466	24	(99)	27	(1 539)		(1 539)
				4		4
				(37)		(37)
466	24	(99)	27	(1 572)		(1 572)
				685		
				484		
				114		
				(80)		
				167		
466				466		
	59	(99)	27	(13)		
	59			59		
		(99)		(99)		
			27	27		
				27		
				(307)		
				(107)		
	(20)			(96)		
	(15)			(2 227)		
466	24	(99)	27	(1 572)		

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

2. Segment information (continued)

Analysis of insurance earnings by product classification

A secondary segment view (analysis of insurance earnings) is presented for SA Retail and Liberty Corporate by major product classification, as defined below.

SA Retail

Pure risk
- Long-term insurance contracts that provide insurable risk benefits in the event of death, sickness or disability to retail customers in South Africa.

Bundled investment and risk (including annuities)
- Long-term insurance contracts that offer a combination of savings, annuities and risk benefits to retail customers in South Africa. These include products that offer a defined monetary benefit over a contractually determined period.

Liberty Corporate

Pure risk
- Long-term insurance contracts that provide mainly life and disability benefits to groupings of employees or members.

Group annuities and investments
- Facilitation of groups of employees or members savings for retirement and payment of post-retirement benefits.

	South African Insurance Operations					
	SA Retail			Liberty Corporate		
Rm	Pure risk	Bundled investment and risk (including annuities)	Total	Pure risk	Group annuities and investment	Total
2021						
Net insurance premiums	13 346	36 249	49 595	2 326	8 806	11 132
Investment returns	1 424	47 036	48 460	316	10 025	10 341
Revenue from contracts with customers		293	293		71	71
Total income	14 770	83 578	98 348	2 642	18 902	21 544
Net claims and policyholder benefits	(9 348)	(39 975)	(49 323)	(3 133)	(9 285)	(12 418)
Change in long-term policyholder assets and liabilities	(2 435)	(28 178)	(30 613)	(436)	(8 038)	(8 474)
Fair value adjustment to financial liabilities	(301)	(4 654)	(4 955)		(54)	(54)
Acquisition costs	(1 732)	(1 795)	(3 527)	(50)	(216)	(266)
Marketing and administration expenses	(2 521)	(4 025)	(6 546)	(271)	(1 129)	(1 400)
Goodwill impairment		(11)	(11)		(3)	(3)
Finance costs	(7)	(75)	(82)	(4)	(11)	(15)
Profit share allocation	(1 129)	(57)	(1 186)	(1)		(1)
(Loss)/profit before taxation	(2 703)	4 808	2 105	(1 253)	166	(1 087)

2. Segment information (continued)

	South African Insurance Operations					
	SA Retail			Liberty Corporate		
Rm	Pure risk	Bundled investment and risk (including annuities)	Total	Pure risk	Group annuities and investment	Total
2020						
Net insurance premiums	12 092	30 452	42 544	2 401	7 314	9 715
Investment returns	(1 619)	17 174	15 555	296	4 009	4 305
Revenue from contracts with customers		155	155		69	69
Total income	10 473	47 781	58 254	2 697	11 392	14 089
Net claims and policyholder benefits	(5 756)	(37 300)	(43 056)	(2 290)	(10 876)	(13 166)
Change in long-term policyholder assets and liabilities	(1 657)	(1 189)	(2 846)	(480)	1 133	653
Fair value adjustment to financial liabilities	(353)	(4 297)	(4 650)		(138)	(138)
Acquisition costs	(1 556)	(1 531)	(3 087)	(82)	(233)	(315)
Marketing and administration expenses	(2 336)	(3 514)	(5 850)	(286)	(987)	(1 273)
Finance costs	(6)	(70)	(76)	(3)	(16)	(19)
Profit share allocation	(1 246)	(70)	(1 316)	(1)		(1)
Equity accounted earnings from associates	(1)		(1)			
(Loss)/profit before taxation	(2 438)	(190)	(2 628)	(445)	275	(170)

Segment information from geographical areas

	South Africa		Africa Regions[1]		Total	
Rm	2021	2020	2021	2020	2021	2020
Total revenue	**112 992**	62 470	**3 557**	3 573	**116 549**	66 043
Other revenue	**109 895**	59 505	**3 112**	3 138	**113 007**	62 643
Revenue from contracts with customers	**3 097**	2 965	**445**	435	**3 542**	3 400
Total loss attributable to ordinary shareholder's interests	**(11)**	(1 600)	**(223)**	(13)	**(234)**	(1 613)
Non-current assets	**35 773**	38 776	**496**	565	**36 269**	39 341
Total assets	**501 421**	467 201	**9 130**	8 397	**510 551**	475 598
Total liabilities	**476 036**	441 502	**6 822**	6 099	**482 858**	447 601

[1] *Africa regions includes Liberty Health as well as the Liberty Africa Insurance and STANLIB Africa entities in Nigeria, Namibia, Swaziland, Botswana, Zambia, Kenya, Uganda, Lesotho and Tanzania.*

Revenue is allocated based on the country in which the insurance or investment contract is issued or service fee income and investment returns are earned. Included in revenue from contracts with customers in South Africa is R1 341 million (2020: R1 158 million) related to service fee income from long-term policyholder investment contracts, R1 756 million (2020: R1 807 million) of fee revenue. Included in revenue from contracts with customers in Africa Regions is R72 million (2020: R53 million) related to service fee income from long-term policyholder investment contracts, R239 million (2020: R241 million) of fee revenue and R134 million (2020: R141 million) from fee income on placement of reinsurance.

IFRS 15 requires disclosure of information relating to the timing of revenue recognised from contracts with customers. There is no revenue on contracts with customers recognised at a point in time.

Non-current assets are allocated based on where the matching insurance or investment contract is issued or, if not matched, where the business owning the asset is situated.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

2. Segment information (continued)

Other financial detail by operating segment

	South African operations		
	Insurance operations		
Rm	SA Retail	Liberty Corporate	Other operations
2021			
Total assets	287 422	71 083	75 900
Additions to non-current assets	105	26	355
Interests in joint venture – equity accounted			
Interests in associate – equity accounted			9
Interest income on financial assets held at amortised cost	6		1
Depreciation of equipment			(187)
Depreciation of right-of-use assets			(74)
Goodwill and intangible assets impairments	(34)	(128)	
Amortisation of PVIF			
Amortisation of distribution force	(6)		
Amortisation of computer software – internally generated	(8)	(17)	(7)
Amortisation of computer software – purchased	(21)		
Amortisation of deferred acquisition costs	(90)	(152)	
Release of deferred revenue	43		
2020			
Total assets	258 744	62 502	87 524
Additions to non-current assets	237	55	381
Interests in joint venture – equity accounted			
Interests in associate – equity accounted			9
Interest income on financial assets held at amortised cost	4		4
Depreciation of equipment			(199)
Depreciation of right-of-use assets			(52)
Remeasurement of disposal groups classified as held for sale			
Impairment of intangible assets	(52)	(90)	(32)
Amortisation of PVIF	(2)		
Amortisation of distribution force	(6)		
Amortisation of computer software – internally generated	(17)	(19)	(18)
Amortisation of computer software – purchased	(21)		
Amortisation of deferred acquisition costs	(85)	(165)	
Release of deferred revenue	40		

(1) *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of mutual fund subsidiaries, 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 intragroup transactions.*

Asset management	Africa Regions					
STANLIB South Africa	Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total	Reporting adjustments[1]	IFRS reported
1 772	4 722	626	212	441 737	68 814	510 551
15	29	5	4	539		539
54				54		54
				9		9
29	82	9		127	1 414	1 541
(6)	(12)	(2)	(1)	(208)		(208)
(16)	(12)		(2)	(104)		(104)
				(162)		(162)
	(3)			(3)		(3)
				(6)		(6)
(16)				(48)		(48)
(1)	(10)			(32)		(32)
	(56)			(298)		(298)
	10			53		53
1 800	4 152	662	205	415 589	60 009	475 598
95	39	6		813		813
61				61		61
				9		9
26	74	11	1	120	1 528	1 648
(91)	(13)	(2)	(1)	(306)		(306)
(22)	(13)		(1)	(88)		(88)
	3	32		35		35
				(174)		(174)
	(3)			(5)		(5)
				(6)		(6)
(3)				(57)		(57)
(9)	(11)			(41)		(41)
	(66)			(316)		(316)
	11			51		51

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

3. Intangible assets

Rm	2021	2020
Cost at the beginning of the year	1 590	1 205
Additions	194	174
Retirement	(48)	
Derecognition[4]	(131)	(41)
Foreign currency translation	6	(6)
Additions through business combination	13	
Disposal group assets reclassified as held for use		258
Cost at the end of the year	1 624	1 590
Accumulated amortisation and impairment at the beginning of the year	(1 092)	(594)
Amortisation	(90)	(109)
Impairment	(162)	(174)
Retirement	37	
Derecognition[4]	131	41
Foreign currency translation	(3)	2
Disposal group assets reclassified as held for use		(258)
Accumulated amortisation and impairment at the end of the year	(1 179)	(1 092)
Net carrying value at the end of the year	445	498

Summary of net carrying value	Amortisation period (years)		
Goodwill	None	87	96
Distribution forces	Up to 10	4	10
Computer software – internally generated	Up to 10	205	271
Computer software – purchased[1]	Up to 5	55	85
Computer software under development[2]		81	29
Customer relationships and contracts	Up to 7	9	
Present value of in-force policyholder contracts[3]	Up to 15	4	7

Rm	Cost	Net carrying amount
Goodwill in 2021 comprises		
Liberty Kenya Holdings PLC	45	45
Various subsidiaries	42	42
Net carrying value of goodwill	87	87

[1] *Purchased computer software is not judged to be an integral part of the related hardware and has been recognised as an intangible asset.*

[2] *Capitalised computer software under development is not ready for its intended use yet and there is no amortisation provided to date.*

[3] *Represents the present value (at acquisition date) of future profits before taxation, on policyholder contracts acquired from business combinations, less amortisations.*

[4] *The derecognition amount for 2021 includes a derecognition of R110 million in respect of the fully amortised PVIF that arose on the acquisition of the Capital Alliance Life Limited life business. It also includes R20 million in respect of internally generate computer software in the STANLIB group of entities and R1 million in Frank Financial Services Proprietary Limited.*

Goodwill impairment testing

Liberty Kenya Holdings PLC is defined as a single cash generating unit (CGU) for impairment testing. This was the required designation at date of acquisition from the Standard Bank group in terms of common control transactions. The goodwill impairment test has been performed and included an internal valuation and consideration of the current share price (Liberty Kenya Holdings is listed on the Kenyan Stock Exchange). No impairment was necessary.

The impairment of R14 million for 2021 relates to goodwill raised as part of business combination transactions in EQ-FIN Proprietary Limited and Mentanova Consultants and Actuaries Proprietary Limited. The goodwill arose as a result of the deferred tax liability raised on intangible assets recognised as part of the business combinations. The intangible asset in EQ-FIN Proprietary Limited is nearly fully amortised and therefore the decision was taken to impair the related goodwill in full during the current year. The goodwill in Mentanova Consultants and Actuaries Proprietary Limited was impaired in full on date of the business combination in 2021.

3. Intangible assets (continued)

Present value of in-force policyholder insurance contracts

Present value of in-force policyholder insurance contracts represents the present value (at acquisition date) of future profits before taxation, on policyholder contracts acquired from business combinations, less amortisation.

Computer software – internally generated and software under development impairment testing

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Internally generated computer software is proprietary in nature, with no reliable, observable external market and therefore the value in use is used for the purposes of calculating any impairment.

Impairments of R148 million (2020: R174 million), before tax, in relation to internally generated computer software, purchased computer software and computer software under development were recognised in 2021. These impairments in 2021 relate mainly to two projects under development and a software asset, where the future expected benefits can no longer support the full portion of capitalised costs to date. This is mainly due to incurring certain wasted costs arising from project inefficiencies, as well as changes in the remaining expected useful life of the software asset and changes to the project scope and objectives during 2021.

The value in use calculations and assessments are supported, where significant, by future expected cash flow models, using a discounted cash flow technique using expected additional costs to complete (if applicable) and expected cash flow benefits through support to new business or reduction of future costs. Risk adjusted discount rates of 12,69% (2020: 11,96%) p.a. were used in these calculations.

Rm	Balance at the beginning of the year	Additions	Retirement	Derecognition[4]	Amortisation	Impairment	Foreign currency translation	Additions through business combination	Balance at the end of the year
2021									
Cost – movement									
Goodwill	96						2	3	101
Distribution forces	39								39
Computer software – internally generated	1 037	118	(27)	(21)					1 107
Computer software – purchased[1]	150	11	(21)				2		142
Computer software under development[2]	82	65							147
Customer relationships and contracts	29							10	39
PVIF[3]	157			(110)			2		49
Total cost	1 590	194	(48)	(131)			6	13	1 624
Accumulated amortisation and impairment – movement									
Goodwill						(14)			(14)
Distribution forces	(29)				(6)				(35)
Computer software – internally generated	(766)		16	21	(48)	(125)			(902)
Computer software – purchased[1]	(65)		21		(32)	(10)	(1)		(87)
Computer software under development[2]	(53)					(13)			(66)
Customer relationships and contracts	(29)				(1)				(30)
PVIF[3]	(150)			110	(3)		(2)		(45)
Total accumulated amortisation and impairment	(1 092)		37	131	(90)	(162)	(3)		(1 179)
Net carrying value	498	194	(11)		(90)	(162)	3	13	445

[1] *Purchased computer software is not judged to be an integral part of the related hardware and has been recognised as an intangible asset.*

[2] *Capitalised computer software under development is not ready for its intended use yet and there is no amortisation provided to date.*

[3] *PVIF: Present value of in-force policyholder contracts*

[4] *The derecognition amount for 2021 includes a derecognition of R110 million in respect of the fully amortised PVIF that arose on the acquisition of the Capital Alliance Life Limited life business. It also includes R20 million in respect of internally generate computer software in the STANLIB group of entities and R1 million in Frank Financial Services Proprietary Limited.*

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

3. Intangible assets (continued)

Rm	Balance at the beginning of the year	Additions	Derecog-nition	Amorti-sation	Impair-ment	Foreign currency transla-tion	Disposal group assets reclassified as held for use[4]	Balance at the end of the year
2020								
Cost – movement								
Goodwill	97					(1)		96
Distribution forces	39							39
Computer software – internally generated	705	100	(26)				258	1 037
Computer software – purchased[1]	125	44	(15)			(4)		150
Computer software under development[2]	52	30						82
Customer relationships and contracts	29							29
PVIF[3]	158					(1)		157
Total cost	1 205	174	(41)			(6)	258	1 590
Accumulated amortisation and impairment – movement								
Goodwill								
Distribution forces	(23)			(6)				(29)
Computer software – internally generated	(356)		26	(57)	(121)		(258)	(766)
Computer software – purchased[1]	(40)		15	(41)		1		(65)
Computer software under development[2]					(53)			(53)
Customer relationships and contracts	(29)							(29)
PVIF[3]	(146)			(5)		1		(150)
Total accumulated amortisation and impairment	(594)		41	(109)	(174)	2	(258)	(1 092)
Net carrying value	611	174		(109)	(174)	(4)		498

[1] *Purchased computer software is not judged to be an integral part of the related hardware and has been recognised as an intangible asset.*
[2] *Capitalised computer software under development is not ready for its intended use yet and there is no amortisation provided to date.*
[3] *PVIF: Present value of in-force policyholder contracts*
[4] *The amount recognised for 2020 relates to the internally generated software of the Liberty Health risk solutions operations which was reclassified back to continuing operations.*

4. Properties

4.1 Summary

Rm	Notes	2021	2020
Owner-occupied properties	4.2	936	1 225
Investment properties	4.3	29 314	29 598
Investment properties – fair value		28 723	28 955
Operating leases – accrued income		591	643
Total fair value of properties		30 250	30 823

Details of property investments are recorded in registers, which may be inspected by members or their duly authorised agents, at the company's registered office.

4.2 Owner-occupied properties

Rm	2021	2020
Fair value at the beginning of the year	1 225	1 612
Additions - capitalised subsequent expenditure net of depreciation[1]	47	(10)
Disposals	(5)	(308)
Fair value adjustment	(190)	(84)
Reclassifications from investment properties	58	18
Disposal group asset classified as held for sale (refer note 26)	(205)	
Foreign currency translation	6	(3)
Fair value at the end of the year	936	1 225

[1] *Includes R57 million (2020: R2 million) relating to capitalised expenditure in the year and depreciation of R10 million (2020: R12 million) on previously capitalised expenditure.*

The cost less accumulated depreciation of the owner-occupied properties is R589 million (2020: R608 million). Depreciation is normally provided for over 40 years. Timing differences arising from the revaluation of the building components of the owner occupied properties are assumed to reverse through use and the applicable deferred taxation is therefore applied at income taxation (use) rates.

Location of owner-occupied properties:

84% (2020: 88%) of the value of owner-occupied property is located in South Africa. The remaining properties are located in the rest of Africa.

4.3 Investment properties

Rm	2021	2020
Fair value at the beginning of the year	29 598	35 030
Revaluations net of straight-lining	(106)	(5 419)
Revaluations	(158)	(5 651)
Net movement on straight-lining operating leases	52	232
Additions - capitalised subsequent expenditure	84	302
Disposals		(62)
Operating leases – accrued income adjustment	(52)	(232)
Reclassifications to owner-occupied properties	(58)	(18)
Disposal group asset classified as held for sale (refer note 26)	(156)	
Foreign currency translation	4	(3)
Fair value at the end of the year	29 314	29 598

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

4. Properties (continued)

4.3 Investment properties (continued)

Minimum lease payments receivable

Rm	2021	2020
Maturity analysis of undiscounted rental income from investment properties		
Up to 1 year	1 827	2 005
Between 1 and 2 years	1 457	1 531
Between 2 and 3 years	954	1 132
Between 3 and 4 years	647	735
Between 4 and 5 years	462	477
Over 5 years	2 111	2 423
	7 458	8 303

Refer to the risk management note 4.9.3 for the breakdown by property type.

Location of investment properties:

98% (2020: 98%) of the value of investment properties is located in South Africa. The remaining properties are located in the rest of Africa.

The percentage of unlet space at 31 December is detailed in the risk management note 4.9.3. The average net rental growth is negative 5,1% (2020: negative 2,3%). The property rental income earned by the group from its investment property, all of which is leased out under operating leases, amounted to R2 789 million (2020: R2 765 million), including straight-lining operating leases or R2 841 million (2020: R2 997 million) excluding the effects of straight-lining operating leases. Direct operating expenses arising on investment properties amounted to R1 079 million (2020: R1 000 million).

4.4 Basis of valuation

The full portfolio of South African located properties was independently valued as at 31 December 2021 by registered professional valuers, registered in terms of the Property Valuers Professional Act, No. 47 of 2000 and are registered with the Royal Institute of Chartered Surveyors. The rest of Africa located properties were independently valued as at 31 December 2021 by various registered professional valuers in each territory.

The valuation of the South African properties is prepared in accordance with the guidelines of and in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors, adapted for South African law and conditions.

The basis of value is "fair value" which is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

The properties have been valued using the discounted cash flow methodology based on significant unobservable inputs and whereby the forecasted net cash flow and residual value of the asset at the end of the forecasted cash flow period are discounted back to the valuation date, resulting in a present value of the asset.

The residual value is calculated by capitalising the net income forecasted for the 12-month period immediately following the final year of the cash flow at the exit capitalisation rate.

The unobservable inputs include:

Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.

Exit capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date.

Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows. Valuers may use any reasonable method for developing an appropriate discount rate with consideration being given to:

- the type of asset being valued;
- the rates implicit in comparable transactions in the market;
- the geographic location of the asset and/or the location of the markets in which the asset would trade;
- the life/term and/or maturity of the asset and the consistency of inputs; and
- the bases of value being applied.

Estimated vacancy rates based on current and expected market conditions after expiry of any current lease.

The discount rate and exit capitalisation rate are then tested for reasonableness and benchmarked against recent comparable sales and surveys prepared by Morgan Stanley Capital International (MSCI) and South African Property Owners Association (SAPOA).

4. Properties (continued)

4.4 Basis of valuation (continued)

Understanding the unobservable inputs

Exit capitalisation rates

The exit value should reflect the anticipated state of the property, physically and in tenure/leasing terms, at the exit date. The exit yield is influenced by several factors including risk, obsolescence, gross market rental growth rates, rates of return on alternative investments, mortgage rates, property condition and lease covenant.

Discount rate

The discount rate is the annual return that a prudent, rational investor requires in order to invest in the property in a competitive market as opposed to alternative asset classes.

Vacancy rate

The vacancy rate refers to vacancies caused by difficulties inherent to the property which management leaves vacant in order to accommodate the expansion of existing tenants; as well as to allow for rental voids due to tenant movement. Underlying to the vacancy rate of properties in a specific market is the relationship of supply and demand of rental space in that market which is to a large extent driven by the property and economic cycle.

Rental growth

The rental growth factor refers to the anticipated growth of market rentals over the observed period (five years).

Expense growth

This refers to the anticipated growth of operating costs (relating to the operation of the property) over the observed period (five years).

Unobservable inputs included in valuations for investment properties

2021	Rm	Exit cap rate (%)	Discount rate (%)	Vacancy rate[1] (%)	Rental growth (%)	Expense growth (%)
Office buildings	504	8,5	13,25 - 13,5	1,0	0,0 - 4,75	5,0 - 6,0
Retail - super regional and regional	24 330	7,0 - 7,75	10,5 - 11,5	0,0 - 5,0	(1,0) - 4,0	5,5 - 6,0
Retail- other	2 373	7,75 - 8,25	11,75 - 12,0	0,0 - 1,5	(1,0) - 5,0	5,5 - 6,0
Hotel	1 157	9,0	13,75 - 14,0			
Specialised	950	8,0 - 10,0	10,0 - 14,75	0,0 - 1,0	(1,0) - 4,75	5,0 - 6,0
Total investment properties	29 314					
2020						
Office buildings	727	8,25 - 9,75	13,25 - 14,0	0,5 - 1,0	0,0 - 4,75	5,0 - 6,0
Retail - super regional and regional	24 628	6,5 - 7,75	10,5 - 11,0	0,5 - 2,0	(1,0) - 4,0	5,0 - 6,0
Retail- other	2 211	7,75 - 8,25	11,75 - 13,25	1,0 - 1,5	(1,0) - 5,0	5,0 - 6,0
Hotel	1 092	9,0	13,75 - 14,0			
Specialised	940	8,25 - 10,0	13,5 - 14,75	0,0 - 1,0	(1,0) - 4,75	5,0 - 6,0
Total investment properties	29 598					

[1] *The vacancy rate indicated in the table above refers to the structural vacancy factor applied over and above that already modelled in the cashflow for existing vacancies and void periods on expiry of leases.*

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

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

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

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

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

A summary of sensitivities on the significant inputs used in the valuations has been provided in section 28.6.1.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

5. Equipment

Rm		2021	2020
Cost at the beginning of the year		1 757	1 930
Additions		161	347
Disposals		(66)	(150)
Derecognition		(134)	(431)
Foreign currency translation		12	3
Disposal group assets reclassified as held for use			58
Cost at the end of the year		**1 730**	**1 757**
Accumulated depreciation at the beginning of the year		(1 209)	(1 396)
Depreciation		(208)	(306)
Disposals		52	109
Derecognition		134	431
Foreign currency translation		(11)	3
Disposal group assets reclassified as held for use			(50)
Accumulated depreciation at the end of the year		**(1 242)**	**(1 209)**
Net carrying value at the end of the year		**488**	**548**
Summary of net carrying value	**Depreciation period (years)**		
Computer equipment	3 – 5	257	321
Purchased computer software	5	10	31
Fixtures, furniture and fittings	5 – 15	151	129
Office equipment	5 – 8	41	40
Motor vehicles	5	29	27

5. Equipment (continued)

Rm	Balance at the beginning of the year	Additions	Disposals	Derecog-nition[1]	Deprecia-tion	Foreign currency translation	Disposal group assets reclassified as held for use	Balance at the end of the year
2021								
Cost – movement								
Computer equipment	996	67	(28)	(100)		3		938
Purchased computer software	204			(12)		1		193
Fixtures, furniture and fittings	380	74	(19)	(17)		5		423
Office equipment	87	8	(11)	(4)		2		82
Motor vehicles	90	12	(8)	(1)		1		94
Total cost	1 757	161	(66)	(134)		12		1 730
Accumulated depreciation – movement								
Computer equipment	(675)		17	100	(120)	(3)		(681)
Purchased computer software	(173)			12	(21)	(1)		(183)
Fixtures, furniture and fittings	(251)		16	17	(49)	(5)		(272)
Office equipment	(47)		11	4	(8)	(1)		(41)
Motor vehicles	(63)		8	1	(10)	(1)		(65)
Total accumulated depreciation	(1 209)		52	134	(208)	(11)		(1 242)
Net carrying value	548	161	(14)		(208)	1		488
2020								
Cost – movement								
Computer equipment	986	179	(19)	(190)		(3)	43	996
Purchased computer software	287	51	(119)	(27)		12		204
Fixtures, furniture and fittings	492	56	(4)	(161)		(4)	1	380
Office equipment	69	55	(1)	(47)		(1)	12	87
Motor vehicles	96	6	(7)	(6)		(1)	2	90
Total cost	1 930	347	(150)	(431)		3	58	1 757
Accumulated depreciation – movement								
Computer equipment	(720)		12	190	(125)	8	(40)	(675)
Purchased computer software	(201)		91	27	(81)	(9)		(173)
Fixtures, furniture and fittings	(369)			161	(45)	3	(1)	(251)
Office equipment	(44)			47	(42)		(8)	(47)
Motor vehicles	(62)		6	6	(13)	1	(1)	(63)
Total accumulated depreciation	(1 396)		109	431	(306)	3	(50)	(1 209)
Net carrying value	534	347	(41)		(306)	6	8	548

[1] *Assets with a zero book value were identified and those with no useful future life have been derecognised.*

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

6. Right-of-use assets

Rm	2021	2020
Cost at the beginning of the year	609	279
Additions	53	331
Derecognitions	(35)	(23)
Terminations/cancellations	(22)	(9)
Modifications	(2)	31
Foreign currency translation	4	
Cost at the end of the year	607	609
Accumulated depreciation at the beginning of the year	(146)	(83)
Depreciation	(104)	(88)
Derecognitions	35	23
Terminations/cancellations	7	2
Modifications		(1)
Foreign currency translation	(1)	1
Accumulated depreciation at the end of the year	(209)	(146)
Net carrying value at the end of the year	398	463

Summary of net carrying value	Depreciation period (years)		
Right-of-use property asset	1-10	398	463

7. Interests in joint ventures

Rm	Notes	2021	2020
Interests in joint ventures – equity accounted	7.1	54	61
Interests in joint venture – measured at fair value through profit or loss	7.2		449
Total interests in joint ventures		54	510

7.1 Interests in joint ventures – equity accounted

Rm	2021	2020
JHI Retail (Pty) Ltd		
Ordinary shares at cost – ownership 49%	3	3
Share of post-acquisition reserves	5	10
Total JHI Retail (Pty) Ltd	8	13
Exeo Capital (Pty) Ltd		
Mauritius – ordinary shares at cost 49%	31	31
South Africa – ordinary shares at cost 49%	7	7
Loans and receivables	5	4
Share of post-acquisition reserves	(2)	(1)
Total Exeo Capital (Pty) Ltd	41	41

7. Interests in joint ventures (continued)

7.1 Interests in joint venture – equity accounted (continued)

Rm	2021	2020
1nvest Fund Managers (Pty) Ltd		
Ordinary shares at cost – ownership 50%	1	1
Share of post-acquisition reserves	4	6
Total 1nvest Fund Managers (Pty) Ltd	5	7
Total interests in joint venture – equity accounted	54	61
Movement analysis		
Ordinary shares at cost		
Balance at the beginning of the year	42	45
Equity loans redesignated as loans and receivables		(3)
Balance at the end of the year	42	42
Loans and receivables		
Balance at the beginning of the year	4	
Equity loans redesignated as loans and receivables		3
Advance to joint venture	1	1
Balance at the end of the year	5	4
Share of post-acquisition reserves		
Balance at the beginning of the year	15	9
Earnings recognised in the statement of comprehensive income	11	18
Ordinary dividends received	(19)	(12)
Balance at the end of the year	7	15

7.2 Interests in joint venture – measured at fair value through profit or loss

	2020	
Name	Percentage ownership %	Fair value Rm
AFGRI Grain Silo Company (Pty) Ltd	30	449
Total		449

AFGRI Grain Silo Company Proprietary Limited

STANLIB Infrastructure Fund 2 (a mutual fund subsidiary in 2020) had a 30% interest in AFGRI Grain Silo Company Proprietary Limited (AFGRI) in 2020. AFGRI is a newly established entity which acquired grain storage and logistics assets across several strategic locations in South Africa from AFGRI Operations Proprietary Limited. AFGRI operates as an independent, but integrated new grain management business. The AFGRI group continues to provide all the day-to-day operations and administration on a contracted basis through a management and service level agreement. Due to the group's economic interest and resulting voting power during 2020, AFGRI was disclosed as an interest in joint venture at fair value through profit or loss. In 2021 Liberty's holding interest in the STANLIB Infrastructure Fund 2 reduced and consequently the fund is no longer treated as a mutual fund subsidiary. The fund is now disclosed as an investment in associate - mutual funds at fair value through profit or loss and as a result the fund's underlying interest in AFGRI is no longer disclosed as a joint venture.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

8. Interests in associates

Rm	Notes	2021	2020
Interests in associate – equity accounted	8.1	9	9
Interests in associates – mutual funds measured at fair value through profit or loss	8.2	21 731	20 953
Total interests in associates		21 740	20 962

8.1 Interests in associate – equity accounted

Rm	2021	2020
MobiLife Financial Services (Pty) Ltd		
Ordinary shares at cost – ownership 24,5%	10	10
Loan	2	2
Share of post-acquisition reserves	(3)	(3)
Total MobiLife Financial Services (Pty) Ltd	9	9
Movement analysis		
Ordinary shares at cost		
Balance at the beginning of the year	10	10
Balance at the end of the year	10	10
Loan		
Balance at the beginning of the year	2	2
Balance at the end of the year	2	2
Share of post-acquisition reserves		
Balance at the beginning of the year	(3)	(2)
Earnings recognised in the statement of comprehensive income		(1)
Balance at the end of the year	(3)	(3)

8. Interests in associates (continued)

8.2 Interests in associates - mutual funds measured at fair value through profit or loss

	Percentage of participation rights in total issued units %		Fair value Rm	
Name	**2021**	**2020**	**2021**	**2020**
STANLIB Income Fund	**15**	16	**8 715**	8 697
STANLIB Corporate Money Market Fund	**3**	5	**2 270**	2 258
STANLIB Balanced Cautious Fund	**23**	22	**2 353**	1 567
STANLIB Property Income Fund [1]	**28**		**1 561**	
STANLIB Infrastructure Fund 2[2]	**19**		**1 093**	
STANLIB Bond Fund	**17**	23	**1 022**	1 135
STANLIB Money Market Fund	**5**	4	**1 010**	1 010
STANLIB Flexible Income Fund	**25**	22	**831**	512
STANLIB Equity Fund	**7**	6	**468**	214
Agri-Vie Fund II (Pty) Ltd	**36**	36	**414**	255
STANLIB Global Property Feeder Fund	**22**	15	**359**	303
STANLIB Extra Income Fund	**3**	3	**286**	286
STANLIB Global Balanced Fund[3]	**11**		**232**	
STANLIB Multi-Manager Low Equity Fund of Funds	**18**	17	**228**	209
STANLIB Enhanced Yield Fund	**4**	4	**169**	216
Thebe Renewable Energy Holdings (RF) (Pty) Ltd [4]		81		2 807
STANLIB Global Balanced Feeder Fund [5]		26		446
STANLIB Infrastructure Fund 1 [6]		17		336
Other mutual funds			**720**	702
Total			**21 731**	20 953

[1] *STANLIB Property Income Fund was previously disclosed as a mutual fund subsidiary in 2020. Liberty's economic interest decreased in 2021 and it is no longer considered a mutual fund subsidiary, and is now disclosed as an interest in associate.*

[2] *STANLIB Infrastructure Fund 2 was previously disclosed as a mutual fund subsidiary in 2020 (economic interest of 33%). In 2021 Liberty's holding interest in the STANLIB Infrastructure Fund 2 reduced to 17% at 31 December 2021 and consequently the fund is no longer treated as a mutual fund subsidiary. The fund is now disclosed as an investment in associate - mutual funds at fair value through profit or loss.*

[3] *The STANLIB Global Balanced Fund was disclosed as a mutual fund subsidiary in 2020. Liberty reduced the economic exposure in the fund during 2021 and it is now disclosed as an interest in associate.*

[4] *In 2020, Greenstreet 1 Proprietary Limited, a wholly owned subsidiary of STANLIB Infrastructure Fund 2 (a mutual fund subsidiary in 2020), made a R2,8 billion investment in perpetual preference shares of Thebe Renewable Energy Holdings (RF) Proprietary Limited (TREH). This investment gave Greenstreet 1 significant influence over TREH, which was disclosed as a mutual fund associate in 2020. In 2021 Liberty's economic interest in the STANLIB Infrastructure Fund 2 decreased and the fund is no longer considered a mutual fund subsidiary. As a result the investment in TREH is no longer disclosed an associate.*

[5] *Disclosed as a mutual fund subsidiary during the current year.*

[6] *STANLIB Infrastructure Fund 1 (previously STANLIB Infrastructure Private Equity Fund 1), was disclosed as a mutual fund associate in 2020. During the period, Liberty disinvested from the Infrastructure Fund and no longer holds any economic interest in the fund (2020: 17%).*

The STANLIB funds listed above are managed by STANLIB Collective Investments Limited, and R1 032 million was received as fees during 2021 (2020: R971 million) on the total fund value under management.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

8. Interests in associates (continued)

8.2 Interests in associates – mutual funds measured at fair value through profit or loss (continued)

Summarised information of significant mutual fund associates (>R500 million) measured at fair value through profit or loss:

Rm	STANLIB Income Fund	STANLIB Corporate Money Market Fund	STANLIB Balanced Cautious Fund	STANLIB Money Market Fund	STANLIB Flexible Income Fund	STANLIB Bond Fund	STANLIB Property Income Fund	STANLIB Infra-structure Fund 2
2021								
Liberty's interests in associates	8 715	2 270	2 353	1 010	831	1 135	1 561	1 093
Dividends and interest received	421	7	65	42	37	89	74	72
Statement of financial position								
Current assets	166	16 558	159	224	44	20	88	62
Non-current assets	57 174	51 924	10 087	21 916	3 347	5 887	5 414	6 828
Current liabilities	(35)	(10)	(9)	(22)	(2)	(2)	(6)	(61)
Comprehensive income								
Total revenue (comprising interest, dividend and sundry income)[1]	3 221	2 733	428	1 062	169	582	425	971
Total comprehensive income (net income before distributions)	2 838	2 613	347	930	158	545	387	847

Rm	STANLIB Income Fund	STANLIB Corporate Money Market Fund	STANLIB Balanced Cautious Fund	STANLIB Money Market Fund	STANLIB Flexible Income Fund	STANLIB Bond Fund	Thebe Re-newable Energy Holdings (RF) (Pty) Ltd[2]
2020							
Liberty's interests in associates	8 697	2 258	1 567	1 010	512	1 135	2 807
Dividends and interest received	482	100	59	58	46	42	
Statement of financial position							
Current assets	117	8 264	114	502	95	9	
Non-current assets	53 440	40 095	7 138	24 017	2 189	5 036	3 510
Current liabilities	(37)	(8)	(8)	(12)	(2)	(1)	(190)
Comprehensive income							
Total revenue (comprising interest, dividend and sundry income)[1]	3 297	2 812	327	1450	184	421	
Total comprehensive income (net income before distributions)	2 906	2 711	237	1304	161	396	

[1] *Units or shares held in mutual funds are by their nature demand deposits and are measured at fair value. The net income or loss is capitalised to unit values within each fund and consequently there is no net profit or loss. Increase in net assets as a result of operations represents total income less expenses before any distributions or capitalisation.*

[2] *Greenstreet 1 Proprietary Limited, a wholly owned subsidiary of STANLIB Infrastructure Fund 2 (mutual fund subsidiary), made a a R2,8 billion investment in perpetual preference shares of Thebe Renewable Energy Holdings (RF) Proprietary Limited (TREH). This transaction occurred on 23 December 2020. Therefore, summarised comprehensive income information is not included for the period.*

9. Deferred acquisition costs

	2021			2020		
Rm	Short-term insurance business	Long-term investment contracts	Total	Short-term insurance business	Long-term investment contracts	Total
Balance at the beginning of the year	23	761	784	24	766	790
Cost of new business acquired	60	232	292	65	245	310
Amortisation realised through profit or loss	(56)	(242)	(298)	(66)	(250)	(316)
Foreign currency translation	2		2			
Balance at the end of the year	29	751	780	23	761	784
Current	29	191	220	23	175	198
Non-current		560	560		586	586

Deferred acquisition costs are amounts incurred on acquiring policyholder investment contracts or short-term insurance contracts, which are amortised to income over the contract period.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

10. Financial instruments

10.1 Financial investments

Rm	2021	2020
At fair value through profit or loss (default business model)	**375 660**	318 390
Equity instruments	**108 761**	101 240
Listed	**108 501**	97 391
Unlisted	**260**	3 849
Debt instruments	**134 069**	111 429
Listed preference shares	**126**	135
Unlisted preference shares	**191**	158
Listed term deposits	**32 025**	29 675
Unlisted term deposits	**44 168**	36 621
Listed government, municipal and utility bonds	**57 559**	44 840
Mutual funds	**131 535**	104 199
Listed	**37 727**	23 962
Unlisted	**93 808**	80 237
Investment policies	**992**	941
Policy loans receivable	**303**	581
Designated at fair value through profit or loss	**2 041**	2 153
Debt instruments	**2 041**	2 153
Unlisted preference shares	**6**	4
Listed term deposits	**19**	14
Unlisted term deposits	**58**	48
Listed government, municipal and utility bonds	**1 926**	2 063
Unlisted government, municipal and utility bonds	**32**	24
At fair value through other comprehensive income[1]	**23 262**	34 998
Debt instruments	**23 262**	34 998
Listed term deposits	**11 558**	10 382
Unlisted term deposits	**10 949**	20 782
Listed government, municipal and utility bonds	**755**	3 834
Total financial assets at fair value	**400 963**	355 541
Financial assets at amortised cost	**221**	230
Policy loans receivable	**221**	230
Total financial investments	**401 184**	355 771

[1] *This arises from the consolidation of one money market mutual fund, the underlying assets of which are measured at fair value through other comprehensive income. Impairment based on the expected credit loss approach was assessed and, due to the short-term nature of the underlying assets, as well as the fund predominantly investing in instruments being issued by the top 5 South African banks, considered immaterial. There are no amounts within these balances which are credit impaired or where there has been a significant increase in credit risk since initial recognition.*

The carrying value of debt instruments which are designated as fair value through profit or loss, that would otherwise be measured at amortised cost or fair value through other comprehensive income, represents the maximum exposure to credit risk.

10. Financial instruments (continued)

10.2 Movement in the allowance for impairment in respect of policy loans receivable held at amortised cost:

Loans receivables originate from Liberty Kenya Holdings PLC (LKHL) and relate to:

a. Mortgage loans offered to staff members as a benefit which are collateralised. LKHL have the first right to recover mortgage deductions from employment income; and

b. Policy loans to existing policyholders. These are loans advanced to policyholders against their contract values. The balances are collateralised given that the loan lapses automatically as soon as it is equal to the contract value.

Under IFRS 9, loss allowances for loan receivables are measured under the general expected credit loss impairment model.

The risk of default over the expected life of these financial instruments has not increased significantly during the year. For the year ended 31 December 2021, any expected impairment losses would therefore be recognised under the 12 months expected credit loss. These instruments are assessed to have a low expected credit loss impairment as they have a low exposure at default due to the security Liberty holds. The borrower has a high probability of meeting cash flow obligations due to loans being recovered either directly from staff salaries or being limited to the surrender value of policyholders' investments. The expected credit impairment loss was immaterial as at 31 December 2021.

10.3 Assets and liabilities held for trading and for hedging

	Assets		Liabilities	
Rm	2021	2020	2021	2020
Derivatives held for trading	12 730	19 906	(10 291)	(17 067)
Derivative cash flow hedges		49	(1 194)	(1 038)
Total derivative assets/(liabilities)	12 730	19 955	(11 485)	(18 105)
Collateral deposits receivable	2 725	3 548		
Total assets/(liabilities) held for trading and for hedging	15 455	23 503	(11 485)	(18 105)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

10. Financial instruments (continued)

10.4 Offsetting, enforceable master netting arrangements or similar agreements

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 agreements.

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

Rm	Total	Not subject to MNA or similar agreements	Subject to MNA or similar agreements	Financial collateral[1]	Net
2021					
Assets					
Assets held for trading and for hedging	15 455	(499)	14 956	(11 044)	3 912
Total assets	15 455	(499)	14 956	(11 044)	3 912
Liabilities					
Liabilities held for trading and for hedging	11 485	(439)	11 046	(11 044)	2
Repurchase agreements liabilities (refer note 23.1)	2 727		2 727	(2 711)	16
Collateral deposits payable (refer note 23.2)	3 261		3 261	(3 261)	
Total liabilities	17 473	(439)	17 034	(17 016)	18
2020					
Assets					
Assets held for trading and for hedging	23 503	(241)	23 262	(17 849)	5 413
Total assets	23 503	(241)	23 262	(17 849)	5 413
Liabilities					
Liabilities held for trading and for hedging	18 105	(237)	17 868	(17 849)	19
Repurchase agreements liabilities (refer note 23.1)	7 258		7 258	(7 203)	55
Collateral deposits payable (refer note 23.2)	4 254		4 254	(4 254)	
Total liabilities	29 617	(237)	29 380	(29 306)	74

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

10. Financial instruments (continued)

10.5 Maturity analysis of net fair value by derivative type

Rm	Fair value of assets	Fair value of liabilities	Net fair value	Within 1 year	1 – 5 years	After 5 years
2021						
Derivatives held for trading	12 730	(10 291)	2 439	1 977	1 163	(701)
Foreign exchange derivatives	375	(433)	(58)	(40)	(19)	1
Interest rate derivatives	10 262	(9 518)	744	264	1 182	(702)
Equity derivatives	2 093	(340)	1 753	1 753		
Derivatives held for hedging		(1 194)	(1 194)	(615)	(257)	(322)
Foreign exchange derivatives		(1 194)	(1 194)	(615)	(257)	(322)
Total derivative assets/(liabilities)	12 730	(11 485)	1 245	1 362	906	(1 023)
2020						
Derivatives held for trading	19 906	(17 067)	2 839	1 649	1 643	(453)
Foreign exchange derivatives	187	(107)	80	80		
Interest rate derivatives	18 633	(16 551)	2 082	884	1 648	(450)
Equity derivatives	1 086	(409)	677	685	(5)	(3)
Derivatives held for hedging	49	(1 038)	(989)		(731)	(258)
Foreign exchange derivatives	49	(1 038)	(989)		(731)	(258)
Total derivative assets/(liabilities)	19 955	(18 105)	1 850	1 649	912	(711)

The profile and timing of hedging instruments designated in cash flow hedge relationships based on notional amounts are as follows:

	2021			2020		
Rm	Notional amount	0 - 5 years	After 5 years	Notional amount	0 - 5 years	After 5 years
Derivatives held for hedging						
Foreign exchange derivatives	1 270	1 079	191	1 270	1 079	191

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2021

10. Financial instruments (continued)

10.6 Cash flow hedging reserve

To ensure appropriate asset-liability management within the group risk management framework, Liberty's cash flow hedging strategy is to hedge currency risks arising from foreign currency denominated assets, originated in Liberty Group Limited, that back local currency denominated policyholder liabilities. Given the nature of the group's risk management policy, appropriate hedging strategies will make use of cross currency swaps with external counterparties. The group uses fixed-to-fixed rate and floating-to-floating rate cross currency swaps with external swap counterparties to hedge its exposure to foreign currency risk. The risk management objective is to reduce the cash flow variability of these assets due to changes in USD/ZAR spot exchange rates. The nature of the item hedged is the variability of future cash flows.

The economic relationship between the foreign currency denominated asset (hedged item) and cross-currency swaps (hedging instrument) is demonstrated on both a qualitative and quantitative basis. From a qualitative perspective, the values of the hedged item and hedging instrument are expected to move in opposite directions in response to changes in foreign currency risk since the critical contracted terms of both the hedged item and the hedging instrument are substantially matched resulting in a hedge ratio of 1:1. The economic relationship is also proven on a prospective basis using regression analysis at each reporting date.

Sources of ineffectiveness are due to the fair value of the hedging instrument on the hedge relationship designation date not equating to zero in certain hedge sets and due to slight differences in contractual coupon dates and timing of the payments on the hedged item. Hedge ineffectiveness recognised in profit or loss for the year (included in the fair value adjustments to financial instruments held for hedging and for trading in note 34) was less than R2 million before taxation for the current and prior years.

Hedged item

The hedged item is classified as debt instruments at fair value through profit or loss, refer note 10.1. Fair value gains for the year used for calculating hedge ineffectiveness amounts to R136 million (2020: R411 million), included in the fair value adjustments to financial instruments held for hedging and for trading in note 34.

Hedging instrument

The hedging instruments are classified as derivatives held for trading and hedging, refer note 10.3. Fair value losses for the year used for calculating hedge ineffectiveness amounts to R136 million (2020: R410 million), included in the fair value adjustments to financial instruments held for hedging and for trading in note 34. The total South African Rand notional amounts over the total United States Dollar notional amounts, equates to an average foreign exchange rate of 1USD/ZAR8,96 (2020: 1USD/ZAR8,96).

Hedge accounting

Where all required criteria are met, derivatives are classified as qualifying for hedge accounting. Hedge accounting is applied to reduce the accounting mismatch between the hedging instrument and the underlying hedged item. Whilst both the hedged item and hedging instrument are measured at fair value, an accounting mismatch occurs due to differing valuation inputs. Fair value mismatches arise because the hedged item valuation is adjusted for credit risk which does not exist in the hedging instrument which is fully collateralised. A mismatch also occurs because currency basis risk exists in the hedging instrument but not in the hedged item.

10. Financial instruments (continued)

10.6 Cash flow hedging reserve (continued)

Reconciliation of movements in the total cash flow hedge reserve

Rm	Gross value	Income taxation	Net value	Release timing 0 – 5 years	Release timing >5 years
2021					
Balance at the beginning of the year	(142)	41	(101)	(43)	(58)
Cash flow hedge reserve	(94)	27	(67)		
Foreign currency basis spread reserve	(48)	14	(34)		
Net adjustments on total cash flow hedges	21	(6)	15		
Net adjustments on cash flow hedge reserve	5	(1)	4		
Fair value adjustments recognised directly in other comprehensive income	(132)	37	(95)		
Net reserve recycled to statement of comprehensive income	137	(38)	99		
Net adjustments on foreign currency basis spread reserve	16	(5)	11		
Fair value adjustments recognised directly in other comprehensive income	7	(2)	5		
Movement in foreign currency basis spread reserve recycled to profit and loss	9	(3)	6		
Balance at the end of the year	(121)	35	(86)	(23)	(63)
Cash flow hedging reserve	(89)	26	(63)		
Foreign currency basis spread	(32)	9	(23)		
2020					
Balance at the beginning of the year	(128)	37	(91)	(44)	(47)
Cash flow hedge reserve	(89)	26	(63)		
Foreign currency basis spread reserve	(39)	11	(28)		
Net adjustments on total cash flow hedges	(14)	4	(10)		
Net adjustments on cash flow hedge reserve	(5)	1	(4)		
Fair value adjustments recognised directly in other comprehensive income	(412)	115	(297)		
Net reserve recycled to statement of comprehensive income	407	(114)	293		
Net adjustments on foreign currency basis spread reserve	(9)	3	(6)		
Fair value adjustments recognised directly in other comprehensive income	(17)	5	(12)		
Movement in foreign currency basis spread reserve recycled to profit and loss	8	(2)	6		
Balance at the end of the year	(142)	41	(101)	(43)	(58)
Cash flow hedging reserve	(94)	27	(67)		
Foreign currency basis spread	(48)	14	(34)		

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

10. Financial instruments (continued)

10.7 Credit assessment changes recognised in profit or loss

The group invests in both listed and unlisted debt instruments. For illiquid listed instruments and unlisted instruments fair value is arrived at through a mark to model process. The mark to model used takes into consideration the requirements of IFRS for fair value purposes.

Where different asset managers have acquired the same illiquid listed or unlisted debt instrument, these instruments will be valued by each asset manager but evaluated for consistency by the group.

In addition, the group holds certain debt instruments that are designated as measured at fair value through profit or loss that would otherwise be measured at amortised cost or fair value through other comprehensive income. The amount of change, during 2021, that is attributable to changes in the credit risk of the financial assets is not sufficiently material to warrant separate disclosure.

10.8 Group restrictions

The group is restricted in its ability to access or use its assets and settle its liabilities only to the extent by which amounts have been posted as collateral (refer notes 10.3, 11 and 23) or assets have been pledged under certain scrip lending or repurchase agreements (refer note 11).

10.9 Movement analysis of financial investments, assets held for trading and hedging, repurchase agreements, scrip and collateral assets, interests in associates and interests in joint ventures measured at fair value through profit or loss and/or amortised cost and fair value through other comprehensive income

Rm	Notes	Held for hedging at fair value through profit or loss	Held for trading at fair value through profit or loss	Fair value through profit or loss	Financial assets measured at amortised cost	Fair value through other comprehensive income	Total
2021							
Balance at the beginning of the year		(989)	6 387	350 562	230	34 998	391 188
Financial investments				320 543	230	34 998	355 771
Repurchase agreements, scrip and collateral assets				8 617			8 617
Derivative assets		49	19 906				19 955
Derivative liabilities		(1 038)	(17 067)				(18 105)
Collateral deposits receivable			3 548				3 548
Interests in associates				20 953			20 953
Interests in joint ventures				449			449
Net disposals of financial instruments and movement on third-party share of mutual funds financial instruments[1]			(5 255)	(7 760)	(41)	(12 962)	(26 018)
Accrued interest					23	1 226	1 249
Fair value adjustments – income statement		(226)	4 032	60 185			63 991
Fair value adjustments – other comprehensive income [2]		21					21
Foreign currency translation				271	9		280
Balance at the end of the year		(1 194)	5 164	403 258	221	23 262	430 711
Financial investments	10.1			377 701	221	23 262	401 184
Repurchase agreements, scrip and collateral assets	11			3 826			3 826
Derivative assets	10.3		12 730				12 730
Derivative liabilities	10.3	(1 194)	(10 291)				(11 485)
Collateral deposits receivable	10.3		2 725				2 725
Interests in associates	8.2			21 731			21 731

[1] *Includes purchases and issuings, sales and redemptions.*

[2] *The amount included in the fair value adjustments - other comprehensive income under the held for hedging category, relates to the net adjustments in the total cash flow hedge reserve.*

10. Financial instruments (continued)

10.9 Movement analysis of financial investments, assets held for trading and hedging, repurchase agreements, scrip and collateral assets, interests in associates and interests in joint ventures measured at fair value through profit or loss and/or amortised cost and fair value through other comprehensive (continued)

Rm	Notes	Held for hedging at fair value through profit or loss	Held for trading at fair value through profit or loss	Fair value through profit or loss	Financial assets measured at amortised cost	Fair value through other comprehensive income	Total
2020							
Balance at the beginning of the year		(1 107)	3 178	360 944	248	19 142	382 405
Financial investments				331 941	248	19 142	351 331
Repurchase agreements, scrip and collateral assets				11 573			11 573
Derivative assets		27	7 712				7 739
Derivative liabilities		(1 134)	(6 798)				(7 932)
Collateral deposits receivable			2 264				2 264
Interests in associates				16 168			16 168
Interests in joint ventures				1 262			1 262
Net additions/(disposals) of financial instruments and movement on third-party share of mutual funds financial instruments[1]			1 191	(32 328)	(38)	14 546	(16 629)
Accrued interest					25	1 310	1 335
Fair value adjustments – income statement [2]		132	2 018	22 008			24 158
Fair value adjustments – other comprehensive income [3]		(14)					(14)
Disposal group assets reclassified as held for use				21			21
Foreign currency translation				(83)	(5)		(88)
Balance at the end of the year		(989)	6 387	350 562	230	34 998	391 188
Financial investments	**10.1**			320 543	230	34 998	355 771
Repurchase agreements, scrip and collateral assets	**11**			8 617			8 617
Derivative assets	**10.3**	49	19 906				19 955
Derivative liabilities	**10.3**	(1 038)	(17 067)				(18 105)
Collateral deposits receivable	**10.3**		3 548				3 548
Interests in associates	**8.2**			20 953			20 953
Interests in joint ventures	**7.2**			449			449

[1] *Includes purchases and issuings, sales and redemptions*
[2] *This excludes R10 million fair value adjustments relating to disposal groups held for sale.*
[3] *The amount included in the fair value adjustment - other comprehensive income under the held for hedging category, relates to the net change in fair value in the cash flow hedge reserve.*

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

10. Financial instruments (continued)

10.10 Interest rate benchmarks and reference interest rate reform

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants (known as 'Benchmark Reform'). This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets.

Liberty has exposure to the Johannesburg Interbank Agreed Rate (JIBAR) as well as various other IBOR rates (refer table below). The South African Reserve Bank (SARB) has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. The Benchmark Reform is at various stages globally, and a suitable alternative for South Africa is only expected to be announced in a few years' time.

During the 2021 financial year, the London Interbank Overnight Offered Rate (LIBOR) administrator, the Intercontinental Exchange Benchmark Administration Limited (IBA), announced it would no longer publish various LIBOR rates, for example USD LIBOR and GBP LIBOR, after 31 December 2021. The IBA has adopted a two-stage approach for the cessation of the USD LIBOR rates with the 1 week and 2-month USD LIBOR rates no longer being published after 31 December 2021 and the remaining rates, being the overnight 1 month, 3 month, 6 month and 12 month rates, no longer being published after 30 June 2023. The LIBOR rates which the group is exposed to will be replaced by Secured Overnight Financing Rate (SOFR) and the Sterling Overnight Index Average (SONIA). Whilst there are plans to replace JIBAR locally, there is currently no indication of when the designated successor rate will be made available .

Given that the LIBOR rates and ARRs are calculated on a different basis, adjustments may be made to contracts that are transitioned from LIBOR to ARRs, to ensure economic equivalence.

Liberty has a limited number of exposures linked to LIBORs, with some LIBOR linked contracts that extend beyond 2021. Liberty is in the process of operationally enabling the ability to book new exposures using ARRs as part of its ongoing program to transition away from the use of LIBOR. Soon, new exposures will be booked using the new ARRs being SOFR and SONIA where applicable.

Liberty established a steering committee and working group within LibFin to manage the transition to ARRs. The objectives of the committee and working group are to assist Liberty's orderly transition away from the use of LIBORs and comply with the recommended regulatory deadlines.

The group's derivative instruments are governed by International Swaps and Derivatives Association (ISDA) 2006 definitions. ISDA published its IBOR fallbacks protocol, which will apply following a permanent cessation of an IBOR and ensures an orderly transition for IBOR linked contracts and removes the burden of renegotiating contract terms at the time of the cessation of LIBOR. Following a series of public consultations, ISDA launched its IBOR Fallbacks Protocol (the Protocol) and IBOR Fallbacks Supplement (the Supplement) in October 2020, which will apply following a permanent cessation of an IBOR and ensures an orderly transition for IBOR linked contracts. Together, they focus on strengthening existing and new derivatives contracts with durable fallback language. The Protocol and Supplement both took effect in January 2021. Liberty has adhered to this protocol and as such the group's derivatives exposures linked to IBORs will be transitioned in line with this protocol. The Protocol going into effect means that existing derivatives contracts will now incorporate ISDA's new fallbacks if both counterparties have adhered to the Protocol or otherwise bilaterally agreed to include the new fallbacks in their contracts. The Supplement going into effect means that new derivatives contracts that incorporate the 2006 ISDA Definitions and reference a relevant IBOR will also incorporate the new fallbacks.

The 5 March 2021 Financial Conduct Authority (FCA) statement around the timing for the cessation or loss of representativeness of all LIBOR settings represented an index cessation event under the IBOR Fallbacks Supplement and Protocol, triggering a fixing of the fallback spread adjustment at the point of the announcement. This spread adjustment is an important part of the overall fallback rate and reflects a portion of the structural differences between IBORs and the ARRs used as a basis for the fallbacks – IBORs incorporate a credit risk premium and other factors, while ARRs are risk free or nearly risk free. Following multiple industry consultations by ISDA, it was determined that the fallback for each IBOR setting will be based on the relevant ARR compounded in arrears to address differences in tenor, plus a spread adjustment to account for the credit risk premium and other factors, calculated using a historical median approach over a five-year lookback period from the announcement date.

This spread has now been fixed for all euro, sterling and US dollar LIBOR tenors, giving firms more certainty about the exact fallback rate that will be used in the event they do not complete their transition efforts before the LIBOR cessation or non-representativeness event occurs.

The above introduces several risks to the market including, but not limited to:

- market risk – risk of not aligning to market regulations such as the ISDA, not meeting the market transition timelines and liquidity risk associated with the ARR.
- model risk – risk of the valuation models used within the group not being able to cater for the changes in the intended manner.
- legal risk – risk of being non-compliant with the agreements previously agreed with clients.
- operational risk – risk of the group's systems not being able to accommodate the changes to the interest rates as agreed with the clients.
- financial risk – risk of not appropriately pricing the deals which will result in a transfer of value between the group and clients.

10. Financial instruments (continued)

10.10 Interest rate benchmarks and reference interest rate reform (continued)

- compliance/regulatory risk – risk of regulatory sanctions due to failing to meet the regulatory expectations in relation to the transition.
- reputational risk – the risk to the group's reputation from failing to adequately prepare for the transition.
- conduct risk – risk that arises when transitioning existing contracts linked to IBORs as value-transfer may occur, or clients may be transitioned to inferior rates or on unfair contractual terms, or in circumstances where they do not fully appreciate the impact of the transition or the alternatives available to them.

The majority of Liberty's LIBOR exposures are in USD LIBOR and are expected to mature before the expected cessation date for USD LIBOR (30 June 2023). This largely reduces the risks identified above although not entirely.

The residual risk exposures that remain on the books beyond the cessation date for USD LIBOR will be managed in line with the risk management transition plans of the group's transition working group outlining the plans for transitioning the remaining exposures. The transition plans include the recommendations from the main industry bodies, namely ISDA for derivatives, Loan Markets Association for loans and ICMA for bonds markets. Management are also tracking updates and incorporating best practice recommendations emanating from official sector working groups established.

Changes in impacted systems are being implemented and are near ready to book at new rates. Regular updates are being provided to management and staff on the transition program and related initiatives.

From an IFRS valuation perspective, Liberty has contracts that use a cash flow hedge accounting approach (only exposed to USD LIBOR). At the point of LIBOR cessation, these exposures will have matured and therefore we expect no change will be required to the basis for determining the contractual cash flows in the designated hedging relationship because the remainder of the financial instruments have fixed contractual rates. The cash flow hedge reserve is deemed (under the IFRS 9 relief provisions) to be based on the alternative benchmark rate and reclassified to profit or loss only when the cash flows of the amended hedged item affect profit or loss.

Financial instruments impacted by the reform which are yet to transition

2021 Rm	GBP LIBOR	USD LIBOR
Total assets recognised on the statement of financial position subject to IBOR reform	29	2 300
Derivative assets		25
Financial investments	29	2 275

No comparative information is required.

11. Repurchase agreements, scrip and collateral assets

Rm	2021	2020
Measured at fair value through profit or loss		
Government, municipal and utility bonds		
Repurchase agreements	2 711	7 203
Bonds pledged as collateral		14
Listed equities on the JSE		
Scrip lending[1][2]	1 115	1 400
Total repurchase agreements, scrip and collateral assets	3 826	8 617
Maturity analysis		
The maturities represent periods to contractual redemption of the pledged assets recorded		
Within 1 year	3 826	8 603
Variable		14
Total	3 826	8 617

[1] *In respect of equity scrip of R1 115 million (2020: R1 400 million) cash collateral of R200 million (2020: R461 million) has been received. In addition, equity scrip of R1 067 million (2020: R1 090 million) has been pledged to Liberty in the event of default.*

[2] *Dividend distributions that occur while scrip is under lending contracts are compensated to Liberty either through payments of manufactured dividends or other mechanisms by the borrower.*

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

12. Prepayments, insurance and other receivables

Rm	2021	2020
Insurance contracts	**3 048**	1 998
Outstanding premium receivables	910	1 090
Reinsurance recoveries and deposits	2 138	908
Prepayments and other receivables at fair value through profit or loss (default business model)	**1 693**	3 101
Accrued income	28	40
Investment debtors	104	1 021
Consolidated mutual funds' receivables	291	250
Agents, brokers and intermediaries	130	141
Amounts due from contract holders	348	362
Property debtors [1]	662	1 146
Prepayments	12	19
Other debtors	118	122
Prepayments and other receivables at amortised cost[2]	**771**	714
Accrued income[3]	69	49
Agents, brokers and intermediaries[3]	66	81
Fee income receivable[4], [5]	344	325
Prepayments[3]	125	123
Other debtors[3]	167	136
Total prepayments, insurance and other receivables	**5 512**	5 813

[1] *As a result of the impact of the COVID-19 pandemic, the property debtors balances (particularly in 2020) are subject to significant fair value adjustments arising from a combination of agreed rental concessions to the lessees post billing, and write-offs of debtors balances where balances were considered non-recoverable. Refer note 34 'Fair value adjustments to assets held at fair value through profit or loss' for more detail.*

[2] *Balances are net of expected credit loss allowances.*

[3] *These balances are either not subject to expected credit losses or the expected credit loss was assessed and is immaterial.*

[4] *Balances related to contracts with customers.*

[5] *All fee income receivable balances are within 1-30 days. Fee income, which largely comprises amounts owing to STANLIB Limited, is collected through a reduction in the portfolio of assets managed on behalf of the clients and, therefore there is no expected credit loss on fee income.*

All above balances are current i.e. inflows of economic benefits are expected to occur within one year.

13. Cash and cash equivalents

Rm	2021	2020
Cash and cash equivalents at fair value through profit or loss (default business model)	**13 496**	11 875
Cash at bank and on hand	8 801	7 083
Short-term cash deposits	4 695	4 792
Cash and cash equivalents at amortised cost	**9 646**	6 757
Cash at bank and on hand	875	691
Short-term cash deposits	8 771	6 066
Total cash and cash equivalents	**23 142**	18 632

Impairments on cash and cash equivalents held at amortised cost are measured on a 12 month expected credit loss basis and reflects the short term maturities of the exposures. The group considers that its cash and cash equivalents has a low probability of default, based on the external credit ratings of the counterparties. Impairment losses for cash and cash equivalents held at amortised cost were assessed and considered immaterial.

14. Long-term policyholder and reinsurance assets and liabilities

Rm	Insurance contracts			
	Policyholder liabilities	Policyholder assets	Reinsurance assets and liabilities	Investment contracts with DPF[1]
2021				
Balance at the beginning of the year	208 904	(5 050)	(2 379)	9 334
Reinsurance assets			(2 585)	
Reinsurance liabilities			206	
Inflows	68 263	10 811	(2 079)	2 604
Premiums	34 243	9 459	(2 073)	1 206
Investment returns	33 962	1 352	(6)	1 398
Unwinding of discount rate	3 379	(463)	(94)	
Investments	30 583	1 815	88	1 398
Fee revenue	58			
Outflows	(47 057)	(11 617)	2 793	(2 804)
Claims and policyholder benefits under insurance contracts	(35 389)	(9 405)	3 209	(2 619)
Acquisition costs associated with insurance contracts	(2 028)	(1 181)	17	(62)
General marketing and administration expenses	(5 543)	(1 957)	19	(114)
Profit share allocations	(1 150)	(77)		
Finance costs and fair value adjustments on financial liabilities	(399)	(311)		
Taxation	(2 548)	1 314	(452)	(9)
Net income from insurance operations	(213)	2 988	(1 125)	(20)
Assumptions and modelling changes	102	2 359	(255)	
Discretionary and compulsory margins and other variances	(1 348)	1 002	(1 276)	(25)
New business	152	759	(11)	
Shareholder taxation on transfer of net income	881	(1 132)	417	5
Foreign currency translation	47		(5)	18
Balance at the end of the year	229 944	(2 868)	(2 795)	9 132
Reinsurance assets			(3 000)	
Reinsurance liabilities			205	
Current	23 139	(552)	(993)	322
Non-current	206 805	(2 316)	(1 802)	8 810

[1] *The group cannot reliably measure the fair value of the investment contracts with discretionary participation features (DPF). The DPF is a contractual right that gives investors in these contracts the right to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund.*

These supplementary returns are subject to the discretion of the group, and applied in line with the Principles and Practices of Financial Management (PPFM).

Given the discretionary nature of these investment returns and the absence of an exchange market in these contracts, there is no generally recognised methodology available to determine fair value. These instruments are issued by the group and the intention is to hold the instruments to full contract term.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

14. Long-term policyholder and reinsurance assets and liabilities (continued)

	Insurance contracts			
Rm	**Policyholder liabilities**	**Policyholder assets**	**Reinsurance assets and liabilities**	**Investment contracts with DPF[1]**
2020				
Balance at the beginning of the year	207 104	(7 017)	(1 745)	10 224
Reinsurance assets			(1 991)	
Reinsurance liabilities			246	
Inflows	40 755	7 353	(1 920)	1 730
Premiums	29 310	9 044	(1 913)	1 131
Investment returns	11 444	(1 691)	(7)	599
Unwinding of discount rate	2 997	(643)	(58)	
Investments	8 447	(1 048)	51	599
Fee revenue	1			
Outflows	(40 330)	(7 824)	1 736	(2 687)
Claims and policyholder benefits under insurance contracts	(30 854)	(5 526)	1 848	(2 504)
Acquisition costs associated with insurance contracts	(1 742)	(1 139)	16	(71)
General marketing and administration expenses	(4 863)	(1 870)	48	(135)
Profit share allocations	(1 280)	(93)		
Finance costs and fair value adjustments on financial liabilities	(821)	(360)		
Taxation	(770)	1 164	(176)	23
Net income from insurance operations	1 398	2 438	(451)	68
Assumptions and modelling changes	841	3 282	(433)	
Discretionary and compulsory margins and other variances	42	(219)	(197)	92
New business	337	287	2	
Shareholder taxation on transfer of net income	178	(912)	177	(24)
Foreign currency translation	(23)		1	(1)
Balance at the end of the year	208 904	(5 050)	(2 379)	9 334
Reinsurance assets			(2 585)	
Reinsurance liabilities			206	
Current	22 270	(286)	(736)	421
Non-current	186 634	(4 764)	(1 643)	8 913

[1] *The group cannot reliably measure the fair value of the investment contracts with discretionary participation features (DPF). The DPF is a contractual right that gives investors in these contracts the right to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund.*

These supplementary returns are subject to the discretion of the group, and applied in line with the Principles and Practices of Financial Management (PPFM).

Given the discretionary nature of these investment returns and the absence of an exchange market in these contracts, there is no generally recognised methodology available to determine fair value. These instruments are issued by the group and the intention is to hold the instruments to full contract term.

14. Long-term policyholder and reinsurance assets and liabilities (continued)

Process used to decide on assumptions and changes in assumptions

COVID-19 pandemic assumptions

The detail relating to the assumptions used in the establishment of the COVID-19 pandemic reserve are dealt with in the 'Key judgements in applying assumptions on application of accounting policies' section. The rest of this note deals with the normal long-term assumptions and the process followed in establishing these. It is not anticipated that the pandemic will have any long-term impact on the process used to decide on assumptions and changes in assumptions.

Life companies outside South Africa

Assumptions used in the valuation of policyholder and reinsurance contracts are set by references to local guidance, taxation legislation and where applicable to the Actuarial Society of South Africa guidance. Economic assumptions are set by reference to local economic conditions at the valuation date. Margins are allowed for as prescribed by local guidance and regulations.

Life companies in South Africa

Mortality and Morbidity

An appropriate base table of standard mortality or morbidity is chosen depending on the type of contract and class of business. Industry standard tables are used for smaller classes of business. Company specific tables, based on graduated industry standard tables modified to reflect the company specific experience, are used for larger classes. Investigations into mortality and morbidity experience are performed at least once a year for all classes of business. The period of investigation extends over at least the latest three full years. Assumptions are set as the best estimate taking into account all relevant information. The results of the investigation are an input used to set the valuation assumptions, which are applied as an adjustment to the respective base table. For contracts insuring survivorship, an allowance is made for future mortality improvements based on expected future trends.

Withdrawal

The withdrawal assumptions are based on the most recent withdrawal investigations taking into account past as well as expected future trends. The withdrawal investigations are performed at least once a year for all classes of business. The period of investigation extends over at least the latest three full years. Assumptions are set as the best estimate taking into account all relevant information. The withdrawal rates are analysed by product type and policy duration as rates vary considerably by these two factors. Typically the assumptions are higher for risk type products than for investment type products, and are higher at early durations. The surrender values assumed are as per the terms and conditions and any other regulatory restrictions in place at the financial position date.

Investment return and discount rate

For pure risk, life annuity, disability in payment and guaranteed endowments business, best estimate discount rates are set at risk free rates consistent with the duration and nature of the cashflows allowing for an average illiquidity premium on the backing assets where applicable.

For other business, best estimate future investment returns are set for the main asset classes as follows:

- Gilts – the derived yield from the gilt yield curve, at a duration of 10 years, at the balance sheet date 9,89% (2020: 9,16%).
- Equities – gilt rate plus 3,5 percentage points as an adjustment for risk 13,39% (2020: 12,66%).
- Property – gilt rate plus 1 percentage point as an adjustment for risk 10,89% (2020: 10,16%).
- Cash – gilt rate less 1,5 percentage points 8,39% (2020: 7,66%).

The overall investment return for a block of business is based on the investment return assumptions allowing for the current mix of assets supporting the liabilities. The pre-taxation discount rate is set at the same rate. The rate averaged across these blocks of business is 11,1% per annum in 2021 (2020: 10,4% per annum). Where appropriate the investment return assumption is adjusted to make allowance for investment expenses and taxation.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

14. Long-term policyholder and reinsurance assets and liabilities (continued)

Process used to decide on assumptions and changes in assumptions (continued)

Life companies in South Africa (continued)

Expenses

An expense analysis is performed on the actual expenses incurred, split between acquisition and maintenance expenses, in the calendar year preceding the balance sheet date. This analysis is used to calculate the acquisition costs incurred. The budget in respect of the following year approved by the board is used to set the maintenance expense assumption.

Expense inflation

The expense inflation assumption is set taking into consideration the market implied inflation, the expected future development of the number of in force policies, as well as the expected future profile of maintenance expenses. The expense inflation assumption for pure risk, life annuity, disability in payment and guaranteed endowments business is set to be consistent with market implied inflation rates. For other classes of business the inflation rate is set at the effective 10-year gilt yield curve rate (gilt rate) less 1,75% when the gilt rate is above 7,25%. The expense inflation rate is set at 72% of the gilt rate when this is below 5,25%. At gilt rates between 5,25% and 7,25% the inflation rate is interpolated to ensure a smooth transition between the two methodologies. This results in a best estimate inflation assumption of 8,14% at 31 December 2021 (2020: 7,41%).

Taxation

Assumptions as to the amount and timing of future income tax and capital gains tax (CGT) payments are based upon the applicable tax law and rates effective as at the reporting date and as set out in the Income Tax Act. Allowance is also made for dividends withholding tax at the rate applicable at the reporting date. Deferred taxation liabilities and assets, in particular a provision for future CGT in respect of unrealised capital gains/(losses), have been taken into account using the full face value.

Correlations

No correlations between assumptions are allowed for.

Contribution increases

In the valuation of the policyholder and reinsurance contracts, voluntary premium increases that give rise to expected profits within broad product groups are not allowed for. However, compulsory increases and increases that give rise to expected losses within broad product groups are allowed for. This is consistent with the requirements of SAP 104.

Embedded investment derivative assumptions

The assumptions used to value embedded derivatives in respect of policyholder contracts are set in accordance with APN 110. Account is taken of the yield curve at the valuation date. Both implied market volatility and historical volatility are taken into account when setting volatility assumptions. Correlations between asset classes are set based on historical data. Over sixteen thousand simulations are performed in calculating the liability.

14. Long-term policyholder and reinsurance assets and liabilities (continued)

Process used to decide on assumptions and changes in assumptions (continued)

Life companies in South Africa (continued)

Using the simulated investment returns, the implied volatilities and prices of the following instruments are:

			Implied volatilities %		Price %	
Maturity	**Strike**	**Underlying index**	**2021**	**2020**	**2021**	**2020**
Vanilla put options						
1-year at-the-money	Spot	FTSE/JSE top 40	**18,82**	20,09	**6,41**	7,52
1-year	80% of spot	FTSE/JSE top 40	**23,92**	24,65	**1,69**	2,04
1-year at-the-money	Forward	FTSE/JSE top 40	**18,42**	19,99	**7,13**	7,74
5-year at-the-money	Spot	FTSE/JSE top 40	**21,77**	21,75	**9,22**	12,11
5-year	$1{,}04^{5}$ of spot	FTSE/JSE top 40	**20,73**	20,80	**16,83**	21,54
5-year at-the-money	Forward	FTSE/JSE top 40	**20,82**	21,26	**15,99**	16,33
20-year at-the-money	Spot	FTSE/JSE top 40	**26,79**	27,76	**3,00**	3,21
20-year	$1{,}04^{20}$ of spot	FTSE/JSE top 40	**27,85**	29,09	**14,28**	14,82
20-year at-the-money	Forward	FTSE/JSE top 40	**28,44**	29,86	**27,11**	28,29
Other put options						
5-year	$1{,}04^{5}$ of spot	60% FTSE/JSE top 40 index, 40% ALBI with annual rebalancing			**8,01**	12,09
20-year	Present 5-year forward rate as at maturity	Pays out if the 5-year interest rate at the time of maturity (in 20 years' time) is lower than the strike			**0,64**	0,64

The TOP 40 index referred to above is a capital index whereas the ALBI is a total return index. "Spot" refers to the value of the index at market close at the relevant date. "At-the-money (spot)" means that the strike price of the option is equal to the current market value of the underlying. "At-the-money (forward)" means that the strike price of the option is equal to the market's expectation of the capital index at the maturity date of the option.

Changes in assumptions – All life companies

Modelling and other changes were made to realign valuation assumptions with expected future experience. These changes resulted in an increase in the net of reinsurance policyholder liabilities of R2 206 million in 2021 compared to a net increase of R3 690 million in 2020.

Change in net of reinsurance policyholder liabilities due to assumption and modelling changes

Rm	2021	2020
Withdrawals	**73**	235
Mortality and morbidity valuation assumptions[1]	**(44)**	258
Taxation impacts	**(83)**	(53)
Change in expense assumptions	**(46)**	152
COVID-19 pandemic reserve[2]	**2 435**	3 114
Other changes	**(129)**	(16)
Total increase in net of reinsurance policyholder liabilities	**2 206**	3 690

[1] *2021 includes a release from the impact of revisions to the longevity assumptions for life annuities largely offset by an increase to long-term mortality expectations on Lifestyle Protector.*

[2] *This relates to the COVID-19 pandemic reserve detailed in the key judgements. The amount quoted above is the R1 022 million reserve top-up taken at 30 June 2021 plus an additional top-up of R1 413 million taken at 31 December 2021.*

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

15. Long-term policyholder liabilities under investment contracts

Rm	2021	2020
Balance at the beginning of the year	106 954	106 918
Fund inflows from investment contracts	19 494	16 328
Net fair value adjustment	17 629	5 251
Fund outflows from investment contracts	(18 754)	(20 261)
Service fee income	(1 435)	(1 226)
Foreign currency translation	59	(56)
Balance at the end of the year	123 947	106 954
Current	8 735	8 384
Non-current	115 212	98 570
Net income from investment contracts (prior to deferred acquisition cost and deferred revenue liability adjustments)	(31)	(121)
Service fee income	1 435	1 226
Expenses:		
Property expenses applied to investment returns	220	230
Shareholder taxation on transfer of net income	16	48
Acquisition costs	(629)	(584)
General marketing and administration expenses	(1 047)	(1 009)
Finance costs	(26)	(32)

16. Third-party financial liabilities arising on consolidation of mutual funds

Rm	2021	2020
Balance at the beginning of the year	61 505	56 758
Additional mutual funds classified as subsidiaries	1 627	3 000
Net capital contribution or change in effective ownership	7 582	779
Mutual funds no longer classified as subsidiaries	(7 132)	(2 129)
Distributions	(1 182)	(1 391)
Fair value adjustment	10 334	4 488
Balance at the end of the year	72 734	61 505

Certain mutual funds have been classified as investments in subsidiaries. Consequently fund interests not held by the group are classified as third-party liabilities as they represent demand deposit liabilities measured at fair value. Maturity analysis is not possible as it is dependent on external unit holders' behaviour outside of Liberty's control.

Liberty's own credit risk is not applicable in the measurement of these liabilities as these liabilities are specifically referenced to assets and liabilities contained in a separate legal structure that could not be attached in the event of a group entity holding the controlling units defaulting.

17. Provisions

Rm	2021	2020
Balance at the beginning of the year	140	140
Balance at the end of the year	140	140

The directors considered all possible obligations that may arise from legal actions and other claims against the group. Provisions have been made where it is probable that losses will arise.

In the conduct of its ordinary business, the group is exposed to various actual and potential claims and other proceedings relating to administration delays, alleged errors and omissions. Due to the nature of the provision, the timing of the expected cash flows is uncertain but likely to be within the next two years.

18. Deferred taxation

Rm	2021	2020
Deferred tax assets		
Non-current	242	240
Deferred tax liabilities		
Non-current	(2 096)	(2 278)
Total deferred taxation	(1 854)	(2 038)

Rm	Asset/ (liability) at the beginning of the year	Addition through business combination	(Provision) /release for the year	Foreign currency translation	Asset/ (liability) at the end of the year
2021					
Normal taxation	(882)	(3)	990	(5)	100
Policyholder liabilities difference between tax and accounting basis	(1 433)		500		(933)
Special transfer balances	1 358		453		1 811
Recognition and utilisation of tax losses	62		17		79
Intangible assets	6	(3)	1		4
Accounting mismatch arising on consolidation of L2D	(369)		65		(304)
Provisions and other temporary differences	(506)		(46)	(5)	(557)
Capital gains taxation	(1 156)		(798)		(1 954)
Capital gains taxation	(1 027)		(823)		(1 850)
Accounting mismatch arising on consolidation of L2D	(129)		25		(104)
Total	(2 038)	(3)	192	(5)	(1 854)
2020					
Normal taxation	(1 884)		996	6	(882)
Policyholder liabilities difference between tax and accounting basis	(1 897)		464		(1 433)
Special transfer balances	608		750		1 358
Recognition and utilisation of tax losses	200		(138)		62
Intangible assets	6				6
Accounting mismatch arising on consolidation of L2D	(410)		41		(369)
Provisions and other temporary differences	(391)		(121)	6	(506)
Capital gains taxation	(990)		(166)		(1 156)
Capital gains taxation	(921)		(106)		(1 027)
Accounting mismatch arising on consolidation of L2D	(69)		(60)		(129)
Total	(2 874)		830	6	(2 038)

Unused tax losses

The increase in the deferred tax asset on tax losses and special transfer balances in 2021, as well as a significant proportion of the value of the asset raised at 31 December 2021, can mainly be ascribed to a tax loss/special transfer balance arising in the Liberty Group Limited risk policy fund, largely attributable to COVID-19. This asset is anticipated to be recovered as financial projections indicate that the risk policy fund is likely to produce sufficient taxable transfers which is expected to utilise the special transfer balance over a period of up to six years based on current in-force and projected new business attributable to the risk policy fund.

The group has unrecognised assessable tax losses of R1 666 million (potential tax benefit at 28% of R467 million) for which no deferred tax assets have been recognised.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2021

19. Deferred revenue

	2021			2020		
Rm	**Short-term insurance business**	**Long-term investment contracts**	**Total**	**Short-term insurance business**	**Long-term investment contracts**	**Total**
Balance at the beginning of the year	**10**	**335**	**345**	10	320	330
Released to profit or loss	**(10)**	**(43)**	**(53)**	(11)	(40)	(51)
Deferred income relating to new business	**13**	**65**	**78**	11	55	66
Foreign currency translation	**1**		**1**			
Balance at the end of the year	**14**	**357**	**371**	10	335	345
Current	**14**	**46**	**60**	10	40	50
Non-current		**311**	**311**		295	295

Deferred revenue is upfront fees received on short-term insurance business and long-term investment contracts as a prepayment for asset management and other services. These amounts are non-refundable and released to income as the services are rendered.

20. Short-term insurance liabilities and reinsurance assets

20.1 Short-term insurance liabilities comprise

Rm	2021 Gross of reinsurance	2021 Reinsurance	2021 Net of reinsurance	2020 Gross of reinsurance	2020 Reinsurance	2020 Net of reinsurance
Outstanding reported claims	551	(229)	322	539	(249)	290
Claims incurred but not reported	115	(73)	42	98	(68)	30
Unearned premiums	504	(224)	280	421	(180)	241
Total short-term insurance liabilities	**1 170**	**(526)**	**644**	1 058	(497)	561
Current	803	(382)	421	613	(320)	293
Non-current	367	(144)	223	445	(177)	268
20.2 Movement analysis						
Outstanding reported claims and claims incurred but not reported						
Balance at the beginning of the year	637	(317)	320	561	(235)	326
Cash-settled claims[1]	(1 104)	288	(816)	(776)	223	(553)
Claims provided for[1]	1 101	(257)	844	865	(313)	552
Foreign currency translation	32	(16)	16	(13)	8	(5)
Balance at the end of the year	666	(302)	364	637	(317)	320
Unearned premiums						
Balance at the beginning of the year	421	(180)	241	430	(183)	247
Premiums received[1]	1 974	(679)	1 295	1 679	(694)	985
Recognised to revenue[1]	(1 919)	648	(1 271)	(1 689)	701	(988)
Foreign currency translation	28	(13)	15	1	(4)	(3)
Balance at the end of the year	504	(224)	280	421	(180)	241

[1] *Movements related to disposal groups classified as held for sale have been excluded from these figures. Health risk solutions was reclassified back to continuing operations at 30 June 2020. Therefore the 2020 figures above only include movements for the period 1 July 2020 to 31 December 2020. The cash-settled claims amount excluded above is R278 million gross and net of reinsurance.*

20. Short-term insurance liabilities and reinsurance assets (continued)

20.3 Claims development

The claims development tables below are based on the actual date of the event that caused the claim (incident year basis).

Short-term insurance liabilities – gross claims paid in respect of reporting year at the applicable exchange rate[1]

		Incident year					
Rm	Total	2021	2020	2019	2018	2017	2016 and prior
2021	**1 104**	**731**	**249**	**56**	**47**	**7**	**14**
2020	1 054		762	220	51	13	8
2019	954			722	143	40	49
2018	828				485	306	37
2017	907					669	238
2016	876						876
Cumulative payments to date	5 723	731	1 011	998	726	1 035	1 222

Short-term insurance liabilities – net claims paid in respect of reporting year at the applicable exchange rate[1]

		Incident year					
Rm	Total	2021	2020	2019	2018	2017	2016 and prior
2021	**816**	**612**	**155**	**23**	**12**	**6**	**8**
2020	831		666	121	17	11	16
2019	754			613	75	34	32
2018	648				464	156	28
2017	694					531	163
2016	613						613
Cumulative payments to date	4 356	612	821	757	568	738	860

[1] *Disposal groups classified as held for sale at 31 December 2021 have been excluded from these figures. Health risk solutions is included in these figures, having been reclassified back to continuing operations during 2020. Hence, a full year's claims are included for all years in the claims development tables.*

21. Financial liabilities

Rm	Notes	2021	2020
Designated at fair value through profit or loss	**21.1**	**6 609**	7 408
Subordinated notes		**5 586**	6 097
Commercial paper		**1 004**	1 205
Loan facilities		**14**	101
Preference shares		**5**	5
Measured at amortised cost	**21.1**	**2 035**	2 775
Loan facilities		**2 035**	1 764
Preference shares			1 011
Total financial liabilities		**8 644**	10 183

21. Financial liabilities (continued)

21.1 Financial liabilities summary

Issue date	Maturity date	Coupon	Interest payable	Contractually due[1] Rm	Designated at fair value through profit or loss 2021 Rm	Designated at fair value through profit or loss 2020 Rm	Amortised cost 2021 Rm	Amortised cost 2020 Rm
Subordinated notes				5 500	5 586	6 097		
12 Dec 2014	12 Dec 2021	2,50%>3m JIBAR (floating)	Quarterly			508		
4 Oct 2016[2]	4 Oct 2022	10,2% (fixed)	Semi annually	400	421	437		
4 Oct 2016[2]	4 Oct 2022	2,28%>3m JIBAR (floating)	Quarterly	600	606	608		
28 Aug 2017[2]	28 Feb 2023	2,15%> 3m JIBAR (floating)	Quarterly	900	911	915		
28 Aug 2017[2]	28 Aug 2024	2,45%> 3m JIBAR (floating)	Quarterly	1 100	1 129	1 131		
8 Oct 2018[2]	8 Oct 2025	1,89%> 3m JIBAR (floating)	Quarterly	1 000	997	992		
9 Sep 2020[2]	9 Sep 2026	2,50%> 3m JIBAR (floating)	Quarterly	1 500	1 522	1 506		
Loan facilities				2 024	14	101	2 035	1 764
28 Oct 2020[3]	10 Jan 2022	5,13% (fixed)	Quarterly	14	14	101		
1 Nov 2018[4],[5]	31 Oct 2026	8,58% fixed rate	Semi annually	300			304	254
1 Nov 2018[4],[5]	31 Oct 2026	1,84%>6m JIBAR (floating)	Semi annually	300			303	252
1 Nov 2018[4]	31 Oct 2022	1,14%>6m JIBAR (floating)	Semi annually	700			712	601
1 Nov 2018[4]	31 Oct 2023	1,50%>6m JIBAR (floating)	Semi annually	250			253	252
1 Nov 2018[4],[6]	31 Oct 2023	5,86% fixed rate	Semi annually	250			252	254
1 Nov 2019[4]	31 Oct 2022	1,20%>6m JIBAR (floating)	Semi annually	150			151	151
23 Feb 2021[4]	15 Dec 2023	1,10%>6m JIBAR (floating)	Semi annually	60			60	
Commercial paper[7]				1 000	1 004	1 205		
19 Nov 2021	18 Feb 2022	0,50%>3m JIBAR (floating)	Quarterly	500	503			
10 Dec 2021	10 Mar 2022	0,52%>3m JIBAR (floating)	Quarterly	500	501			
15 Oct 2020	15 Jan 2021	0,45%>3m JIBAR (floating)	Quarterly			101		
19 Nov 2020	19 Feb 2021	0,50%>3m JIBAR (floating)	Quarterly			603		
9 Dec 2020	9 Mar 2021	0,50%>3m JIBAR (floating)	Quarterly			501		
Preference shares[8],[9]					5	5		1 011
Total financial liabilities					6 609	7 408	2 035	2 775
Current					2 075	1 860	875	523
Non-current					4 534	5 548	1 160	2 252

[1] *The contractual undiscounted amount that will be required to be paid at maturity. This is representative of the nominal value.*

[2] *These notes include a deferral of coupon payment feature in the event that the wholly owned subsidiary Liberty Group Limited breaches its Insurance Act, 2017 solvency capital requirement or if the payment of the coupon would lead to such an event.*

[3] *The loan facility designated at fair value through profit or loss was issued by Investec as an advance against future mutual fund distributions. The first tranche of the facility was repaid during 2021, with a new tranche executed on 29 March 2021 for R99 million. Settlement takes place on a quarterly basis commencing in April 2021. The loan facilities are settled in four quarterly payments using the mutual fund distributions received. Settlements for the new tranche took place on 9 April 2021, 9 July 2021, 11 October 2021 with final settlement due on 10 January 2022.*

[4] *These loan facilities issued are repayable in one bullet payment on the maturity date. Loan facilities that have matured can be extended and terms renegotiated. Additional drawdowns can also be made on existing facilities, with both the maturity date and coupon rate being reset to a new negotiated term or rate. The R60 million loan facility is a new drawdown under an existing facility that was repaid in full in August 2020.*

[5] *These loan facilities that originally matured on 31 October 2021 were extended to a new maturity date of 31 October 2026 and were issued at renegotiated coupon rates. The original coupon rates were a 9,04% fixed rate and a 1,2%>6m JIBAR floating rate respectively. There were also additional drawdowns of R50 million made on each of these facilities.*

[6] *The coupon rate on this facility was renegotiated to 5,86% fixed rate (2020: 9,31% fixed rate) from 1 November 2021.*

[7] *The commercial paper liabilities are issued by Vineyard Road Investments (RF) Proprietary Limited to the STANLIB Money Market fund, which is not consolidated as part of the mutual fund subsidiaries at a Liberty Holdings Limited group level. These are settled in full and reissued on three monthly basis.*

[8] *10 100 variable rate, non-participating, redeemable preference shares, which are valued at R100 000 each were issued to the mutual fund subsidiary, Greenstreet 1 Proprietary Limited, in December 2020. These preference shares are used as a funding mechanism in order to invest in renewable energy projects. The preference shares are redeemable in accordance with a redemption schedule setting out the required capital redemption payments. Redemption commences on 31 January 2026 on a quarterly basis in accordance with this schedule until the final redemption date. The final redemption date is 14 years after the actual issue date. The preference share dividend rate is at 93% of the prime interest rate for the first 5 years, after which it is at 95% of the prime interest rate for the remaining term. Preference dividends are paid quarterly on 31 January, 30 April, 31 July and 31 October of each year. The preference shares are secured by the cession and pledge of the Thebe Renewable Energy Holdings (RF) Proprietary Limited C preference shares held by Greenstreet 1 Proprietary Limited. In 2021, these preference shares were derecognised as financial liabilities due to this mutual fund subsidiary no longer being consolidated.*

[9] *5 000 cumulative, participation non-convertible redeemable preference shares valued at R1 000 each were issued by the wholly owned subsidiary Liberty Group Limited during 2013. These preference shares are executionary in nature facilitating the payment of profit share amounts that accrue in terms of the bancassurance business agreement with Standard Bank (refer note 44.B.3). The preference shares are redeemable as and when the bancassurance business agreement is terminated.*

21. Financial liabilities (continued)

21.1 Financial liabilities summary (continued)

Fair value adjustment to financial liabilities arising from own credit

Rm	Gross value	Income taxation	Net value
2021			
Balance at the beginning of the year	(16)	4	(12)
Fair value adjustment to financial liabilities arising from own credit during the year	1		1
Cumulative change in fair value attributable to credit risk	(15)	4	(11)
2020			
Balance at the beginning of the year	(56)	15	(41)
Fair value adjustment to financial liabilities arising from own credit during the year	40	(11)	29
Cumulative change in fair value attributable to credit risk	(16)	4	(12)

The subordinated notes are callable by Liberty Group Limited prior to maturity date if certain regulatory or taxation events occur.

In 2018, Liberty Group Limited issued a R1 billion subordinated note. This was the first issue that was approved by the Prudential Authority under the new capital regime that came into effect from 1 July 2018, and which included a requirement for all the subordinated notes issued to be guaranteed. A further note issuance for R1.5 billion was done during 2020. Liberty Holdings Limited provided guarantees to the external noteholders for both these notes. The Prudential Authority approval of the issuances included a requirement to hold sufficient liquidity available to meet the note redemption and interest amounts. In addition, Liberty Group Limited must inform the Prudential Authority should the solvency capital requirement cover ratio trend downwards towards 1,15 times. Redemptions on maturity date are subject to the approval of the Prudential Authority.

Prior to this, regulatory subordinated notes were subject to Financial Services Board approval. The Financial Services Board approval of the pre-2018 Liberty Group Limited issuances also included a requirement to hold sufficient liquidity available to meet the note redemption and interest amounts. Under the previous capital regime, Liberty Group Limited was required to maintain capital adequacy cover of at least 1,75 times. This requirement was complied with during the applicable reporting periods. Redemptions on maturity date were also subject to the approval of the Financial Services Board.

21.2 Financial liabilities movement analysis

Reconciliation of movement in financing activities disclosed in the statement of cash flows

	Designated at fair value through profit or loss		Amortised cost		Total	
Rm	2021	2020	2021	2020	2021	2020
Balance at the beginning of the year	7 408	5 673	2 775	2 119	10 183	7 792
Finance costs[2]			151	151	151	151
Advances of financial liabilities[1], [4]	4 399	5 700	409	1 275	4 808	6 975
Repayments of financial liabilities and movement on third-party share of mutual fund financial liabilities[2],[4]	(5 606)	(4 424)	(1 300)	(770)	(6 906)	(5 194)
Profit or loss fair value adjustment to financial liabilities[3]	409	499			409	499
Fair value adjustment arising from own credit	(1)	(40)			(1)	(40)
Balance at the end of the year	6 609	7 408	2 035	2 775	8 644	10 183

[1] *Advances of financial liabilities include subordinated notes, commercial paper and preference shares issued and loan facilities drawn down. The commercial paper liabilities are settled in full and reissued on three monthly basis.*

[2] *Repayments of financial liabilities includes subordinated notes redeemed and commercial paper and loan facilities settled.*

[3] *Included in fair value adjustment is R418 million (2020: R478 million) finance cost.*

[4] *Advances and repayments include components related to mutual fund subsidiaries.*

22. Lease liabilities

22.1 Lease liabilities movement analysis

Reconciliation of movement in financing activities disclosed in the statement of cash flows

Rm	2021	2020
Balance at the beginning of the year	480	209
Finance costs[1]	30	22
Lease liability incurred	53	331
Repayments[1]	(106)	(108)
Modifications	(2)	30
Terminations/cancellations	(12)	(5)
Foreign currency translation	1	1
Balance at the end of the year	444	480
Current	85	55
Non-current	359	425

[1] *Repayment of lease liabilities*

22.2 Maturity analysis - contractual undiscounted cash flows

Rm	2021	2020
Within one year	111	82
Later than one year but no later than five years	357	363
Later than five years	59	137
Total undiscounted lease liabilities at the end of the year	527	582

The group leases properties which are typically used as branch offices for the sales force or as administration offices. The leases of office space typically run for a period of 1-10 years. Some leases include an option to renew the lease for an additional period after the end of the initial contract term. If it is reasonably certain that the lessee will renew, this is included in the lease liability on day one.

Some leases provide for additional rent payments that are based on changes in local price indices.

Liberty does not have any leases which have not yet commenced to which it has committed.

23. Repurchase agreements liabilities and collateral deposits payable

Rm	Notes	2021	2020
Repurchase agreements liabilities	23.1	2 727	7 258
Collateral deposits payable	23.2	3 261	4 254
Total repurchase agreements liabilities and collateral deposits payable		**5 988**	11 512

All of the above balances are current, i.e. outflows of economic benefits are expected to occur within one year.

23.1 Repurchase agreements liabilities

Reconciliation of movement in financing activities disclosed in the statement of cash flows

Rm	2021	2020
Balance at the beginning of the year	7 258	5 929
Repurchase agreements issued	25 437	23 492
Fair value adjustment[1]	223	343
Repurchase agreements repaid	(30 191)	(22 506)
Balance at the end of the year	2 727	7 258

[1] *Included in the fair value adjustment are finance costs of R223 million (2020: R343 million) for repurchase agreement liabilities.*

23.2 Collateral deposits payable

Reconciliation of movement in operating activities disclosed in the statement of cash flows

Rm	2021	2020
Balance at the beginning of the year	4 254	6 545
Net movement collateral deposits payable	(1 058)	(2 638)
Fair value adjustment[1]	65	347
Balance at the end of the year	3 261	4 254

[1] *Included in the fair value adjustment are finance costs of R65 million (2020: R347 million) for collateral deposits payable.*

24. Employee benefits

24.1 Summary

Rm	Notes	2021	2020
Asset			
Defined benefit pension fund employer surplus	24.6	105	89
Liabilities			
Short-term employee benefits	24.2	1 029	809
Long-term employee benefits (cash-settled)	24.3	79	92
Post-retirement medical aid benefit	24.7	477	440
Total liability		1 585	1 341

24.2 Short-term employee benefits

	Leave pay		Short-term incentive schemes		Total	
Rm	2021	2020	2021	2020	2021	2020
Balance at the beginning of the year	174	117	635	710	809	827
Provision no longer required		(1)	(5)	(5)	(5)	(6)
Additional provision raised	203	210	722	541	925	751
Utilised during the year	(199)	(163)	(502)	(616)	(701)	(779)
Foreign currency translation		(1)	1	(1)	1	(2)
Disposal group liabilities reclassified as held for use		12		6		18
Balance at the end of the year	178	174	851	635	1 029	809

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

Leave pay

In terms of the group policy, employees are entitled to accumulate a maximum of 20 days compulsory leave and 20 days discretionary leave. Compulsory leave has to be taken within 18 months of earning it, failing which it is forfeited. Only discretionary leave can be sold back to the company.

Short-term incentive schemes (cash-settled)

In terms of the group remuneration policy, all permanent employees are eligible to receive a short-term incentive bonus in terms of the various board approved short-term incentive schemes. These schemes recognise both individual and financial performance (both of the respective business unit and group). Awards are approved by the remuneration committee and are subject to deferrals at certain levels (refer to note 38.1). The non-deferred amounts are cash-settled.

24.3 Long-term employee benefits (cash-settled)

	STANLIB deferred bonus scheme	
Rm	2021	2020
Balance at the beginning of the year	92	90
Net accrual for past service	53	62
Adjustments for referenced unit price movements	13	(1)
Cash settlements	(79)	(59)
Balance at the end of the year	79	92
Total service cost expensed through profit or loss	66	61

STANLIB deferred bonus scheme

Annual short-term incentive performance bonuses are subject to a mandatory deferral, up to a maximum of 50%. The deferred bonus is invested in selected STANLIB managed unit trusts. The bonus vests after a 3 year period and is subject to applicable taxes.

24. Employee benefits (continued)

24.4 Details of schemes

The group operates the following retirement and post-retirement medical schemes for the benefit of its employees.

Defined benefit scheme:

Liberty Group Defined Benefit Pension Fund

The group operates a funded defined benefit pension scheme in terms of section 1 of the Income Tax Act, 1962. With effect from 1 March 2001 the majority of employees accepted an offer to convert their retirement plans from defined benefit to defined contribution. Employees joining after 1 March 2001 automatically become members of the defined contribution schemes. The defined benefit pension scheme was closed to new employees from 1 March 2001. Employer companies contribute the total cost of benefits provided, taking into account the recommendation of the actuaries.

Defined contribution schemes:

Liberty Defined Contribution Pension Fund

Liberty Group Limited operates a funded defined contribution pension scheme in terms of section 1 of the Income Tax Act, 1962. The Liberty Defined Contribution Pension Fund offers a benefit to Liberty employees based on the accumulated contributions and investment returns at retirement.

Liberty Provident Fund

The Liberty Provident Fund offers a benefit to Liberty employees, based on the accumulated contributions and investment returns at retirement. The group contributes to the scheme for the benefit of employees in terms of the rules of the fund.

Liberty Agency Fund

The Liberty Agency Fund offers a benefit to the group's qualifying agents based on the accumulated contributions and investment returns at retirement. The employer makes a predetermined rate of contribution per month as stipulated in the rules of the fund.

The Liberty Franchise Umbrella Fund also has policies with Liberty however the fund's liabilities are immaterial.

There are a number of small employee retirement funds in the process of being liquidated. These are fully funded with total liabilities of less than R10 million.

All retirement schemes are governed by the Pension Funds Act, 1956 as amended.

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 the group prior to 1 March 2005. Medical aid costs are included in the profit or loss within general marketing and administration expenses in the period during which the employees render services to the group. The group recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis using the projected unit credit method.

24. Employee benefits (continued)

24.5 Retirement benefit obligation

Rm	Liberty Group Defined Benefit Pension Fund 2021	2020
Change in defined benefit funded obligation		
Present value of funded obligation at the beginning of the year	1 166	1 224
Service cost benefits earned during the year	14	17
Interest cost on projected benefit obligation	161	131
Actuarial gain	(18)	(134)
Benefits paid	(64)	(72)
Present value of funded obligation at the end of the year	1 259	1 166
Change in plan assets		
Fair value of plan assets at the beginning of the year	1 412	1 468
Expected return on plan assets	195	163
Actuarial loss from return on plan assets	(32)	(147)
Employer contribution[1]	12	17
Reduction in employer surplus account[1]	(12)	(17)
Benefits paid	(64)	(72)
Fair value of plan assets at the end of the year[2]	1 511	1 412
Surplus	252	246
Effect of limiting net defined benefit asset to the asset ceiling	(147)	(157)
Net defined benefit asset (refer note 24.6)	105	89

[1] *The employer's best estimate of contributions expected to be paid to the Liberty Group Defined Pension Fund during 2022 is Rnil as it is anticipated the contributions will be funded from the employer portion of the surplus account. The Pensions Fund Act requires a statutory valuation every three years.*

[2] *The fair value of the plan assets for 2021 constitutes: 15,0% cash, 84,1% debt notes, 0,5% equities, 0,1% alternative assets and 0,3% international funds (2020: 15,7% cash, 83,6% debt notes, 0,4% equities, 0,1% alternative assets and 0,2% international funds).*

The trustees of the Liberty Group Defined Benefit Pension Fund have authorised a comprehensive hedging strategy, as recommended by the appointed asset consultants. The hedging strategy is a market risk mitigation programme that includes the acquisition of assets that closely match the expected cash flow emergence of the pensioner obligations. The IAS 19 disclosure requirements result in components of the hedging outcomes on the liability and asset measurements being reflected as variances and therefore are disclosed as actuarial gains or losses.

In the opinion of the pension fund valuator, after the most recent statutory actuarial valuation as at 1 January 2021, the Liberty Group Defined Benefit Pension Fund was financially sound. Management are of the opinion that the Fund is financially sound as at 31 December 2021.

Rm	Liberty Group Defined Benefit Pension Fund 2021	2020
Components of profit or loss	(2)	(4)
Net interest on the net defined benefit asset	12	13
Current service cost	(14)	(17)
Components of other comprehensive income	18	(24)
Actuarial gains	18	133
Demographic experience and assumptions	22	61
Financial assumptions	(4)	72
Return on plan assets excluding interest cost and expected income on employer surplus	(10)	(127)
Change in the effect of the asset ceiling	10	(30)

24. Employee benefits (continued)

24.6 Defined benefit pension fund employer surplus

	Liberty Group Defined Benefit Pension Fund	
Rm	**2021**	**2020**
Balance at the beginning of the year	89	117
Investment gains	11	14
Expected return	12	13
Variance to expected	(1)	1
Agreed contribution to member benefit enhancements	(12)	(17)
Expected contributions	(14)	(17)
Variance to expected	2	
Apportionment of surplus in terms of section 15C of Pension Funds Act	17	(25)
Other actuarial gains	7	5
Change in the effect of the asset ceiling	10	(30)
Balance at the end of the year	105	89
Current	15	17
Non-current	90	72

24.7 Post-retirement benefit medical aid obligation

Change in post-retirement medical aid benefit obligation

Rm	**2021**	**2020**
Present value of unfunded obligation at the beginning of the year	440	459
Service cost benefits earned during the year	5	6
Interest cost on projected benefit obligation	53	48
Benefits paid	(18)	(17)
Actuarial gain included in other comprehensive income	(3)	(56)
Present value of unfunded obligation at the end of the year	477	440
Current	5	6
Non-current	472	434

The liability obligation has been updated after the most recent actuarial valuation as at 31 December 2021.

24.8 Sensitivity analysis – Post-retirement medical aid benefit

Shown in the table below are sensitivities of the value of the post-retirement medical aid benefit to changes in the medical inflation rates without changes to the risk discount rate:

	Decrease/(increase) in liability	
Rm	**2021**	**2020**
Variable		
1% decrease in medical inflation rate		
– active members	29	27
– pensioners	18	16
1% increase in medical inflation rate		
– active members	(36)	(32)
– pensioners	(22)	(18)

24. Employee benefits (continued)

24.9 Assumptions used in the valuation of obligations

The valuation was based on the following principal actuarial assumptions	Liberty Group Defined Benefit Pension Fund		Post-retirement medical aid benefit	
	2021	2020	2021	2020
Anticipated after taxation returns on investments	12,35%	14,05%	Unfunded liability and therefore there is no asset-backing portfolio	
Discount rate	Nominal government bond curve		Nominal government bond curve	
Future salary increases (excluding increases on promotion)	Future salary increases based on inflation curve plus 1% p.a. to each point on the curve		Not applicable	
Medical cost trend rate (applicable to members who retired before 1 January 2013)	Not applicable		Inflation curve adjusted upwards by 1% p.a.	
Medical cost trend rate (applicable to members who retired after 1 January 2013)	Not applicable		Curve implied by the difference between a nominal government bond curve and an index-linked gilt	
Mortality assumption – pre-retirement	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements		Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements	
Mortality assumption – post-retirement	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements		Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements	
Retirement age – executives	63	63	63	63
Retirement age – others	60 or 65	60 or 65	60 or 65	60 or 65

24.10 Transactions between group companies and the funds

24.10.1 The contributions which the group companies have made on behalf of the employees during the year are as follows:

Rm	2021	2020
Retirement		
Defined benefit funds[1]	12	17
Defined contribution funds	393	387
Medical		
Post-retirement medical benefit paid – pensioners	18	17

[1] *Funded from employer surplus account.*

24.10.2 The Liberty Group Defined Benefit Pension Fund has various banking relationships with Standard Bank Group Limited and its subsidiaries. The summary of balances deposited and interest received are as follows:

	Balance deposited R'000		Interest received R'000	
	2021	2020	2021	2020
Balance at the beginning of the year	18 553	19 023		
Balance at the end of the year	32 382	18 553	779	254

24. Employee benefits (continued)

24.10 Transactions between group companies and the funds (continued)

24.10.3 The Liberty Group Defined Benefit Pension Fund has outsourced its management to Liberty Group Limited.

The summary of fees paid is as follows:

	Fees paid R'000	
	2021	2020
Liberty Group Defined Benefit Pension Fund – administration fees	80	100
Liberty Group Defined Benefit Pension Fund – consultancy fees	2 153	1 210

24.10.4 The following retirement benefit funds have insurance policies with Liberty Group Limited held as investment policies in the funds. A summary of the transactions for each policy with each fund follows:

	Fund value	
Rm	2021	2020
Liberty Defined Contribution Pension Fund		
Balance at the beginning of the year	754	697
Premiums	53	55
Fair value adjustments	135	42
Withdrawals	(92)	(40)
Balance at the end of the year	850	754
Liberty Provident Fund		
Balance at the beginning of the year	3 965	3 664
Premiums	374	356
Fair value adjustments	724	223
Withdrawals	(427)	(278)
Balance at the end of the year	4 636	3 965
Liberty Agency Fund		
Balance at the beginning of the year	1 087	1 137
Premiums	37	36
Fair value adjustments	173	56
Withdrawals	(141)	(142)
Balance at the end of the year	1 156	1 087

24.10.5 The various funds detailed above have contracted Liberty to manage the funds.
The total of fees paid is as follows:

Administration and consulting fees	19	16

25. Insurance and other payables

Rm	2021	2020
Long-term insurance contracts	**9 041**	7 427
Outstanding claims and surrenders	**7 792**	6 258
Commission creditors	**153**	127
Premiums received in advance	**1 096**	1 042
Other payables at amortised cost	**852**	902
Sundry payables	**820**	860
Preference share dividends	**15**	29
Investment creditors	**17**	13
Other payables designated at fair value through profit or loss	**4 304**	6 625
Sundry payables	**996**	1 197
Consolidated mutual funds' payables	**1 340**	1 814
Preference share dividends	**1 217**	1 345
Property creditors	**568**	946
Investment creditors	**183**	1 323
Total insurance and other payables	**14 197**	14 954
Current	**14 177**	14 936
Non-current	**20**	18

26. Non-current assets and disposal group assets and liabilities classified as held for sale

Liberty Holdings Limited identified a number of entities that met the criteria as held for sale under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Total Health Trust Limited in Nigeria (part of Health risk solutions) business operation remains under a sale process at 31 December 2021 and remains classified as a disposal group held for sale. The balance of Health risk solutions, being mainly the provision of health expense insurance throughout sub-Saharan Africa, was reclassified back to continuing operations at 30 June 2020. This was due to no acceptable purchase offers being forthcoming.

During the reporting period, a conditional offer has been accepted for the disposal of a group owned property of R274 million, that previously was classified as partially owner occupied, with the remainder as investment property. The property has been reclassified to non-current assets held for sale and has been remeasured to the value of the conditional offer. In addition, investment properties in Kenya amounting to R87 million were reclassified to non-current assets held for sale.

Effective 31 January 2021, Liberty concluded the sale of its entire shareholding in Liberty General Botswana Proprietary Limited, previously disclosed as a disposal group. During 2020 sales were completed of the asset management operations in Kenya (STANLIB Kenya Limited) and Uganda (STANLIB Uganda Limited). Sales were also concluded for the short-term insurance business in Malawi (Liberty General Insurance Limited (Malawi)) and Liberty Health Administration Proprietary Limited (LHA - a licensed medical aid administrator in South Africa). LHA is part of the Health risk solutions business referred to above.

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

Rm	2021	2020
Total assets classified as held for sale	**536**	213
Properties	**378**	16
Equipment	**6**	8
Reinsurance assets - short-term insurance		2
Financial investments	**1**	1
Prepayments, insurance and other receivables	**51**	24
Cash and cash equivalents	**100**	162
Total liabilities classified as held for sale	**96**	92
Short-term insurance liabilities	**77**	65
Lease liabilities		1
Employee benefits		1
Insurance and other payables	**19**	25
Net assets of disposal groups held for sale	**440**	121

The potential sales are not discontinued operations as defined under IFRS 5 as they are not disposals of separate major lines of business or geographical areas of operation. Profit or loss from cash-generating units within disposal groups have consequently not been separately identified in the statement of comprehensive income.

26.1 Remeasurement movement

Rm	2020
Remeasurement balance at the beginning of the year	(307)
Release of remeasurement of disposal groups classified as held for sale	35
Remeasurements applied to related current year net asset value adjustments	272
Remeasurement balance at the end of the year	

26. Non-current assets and disposal group assets and liabilities classified as held for sale (continued)

26.2 Disposals of operations

Disposal of Liberty General Insurance Proprietary Limited (Botswana)

Effective 31 January 2021, Liberty concluded the sale of its entire shareholding in Liberty General Botswana Proprietary Limited, previously disclosed as a disposal group, for a purchase consideration of BWP7 million (R9 million). The sale was concluded at the net asset value of the entity as at 31 January 2021.

The assets and liabilities disposed of, were as follows:

Rm	2021
Equipment and right-of-use assets	2
Reinsurance assets	2
Prepayments, insurance and other receivables	2
Cash and cash equivalents	12
Short-term insurance liabilities	(3)
Lease liabilities	(1)
Employee benefits	(1)
Insurance and other payables	(3)
Net assets and liabilities disposed of	10
Sale proceeds	9
Loss on disposal of subsidiary	**(1)**

Disposal of STANLIB East Africa operations (Kenya & Uganda)

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

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

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

The assets and liabilities disposed of, were as follows:

Rm	2020
Prepayments, insurance and other receivables	12
Cash and cash equivalents	30
Short-term insurance liabilities	(76)
Insurance and other payables	(8)
Net assets and liabilities disposed of	(42)
Non-controlling interest share of net asset and liabilities	8
Subscription for share and preference shares	(30)
Gross profit on disposal of subsidiary	4
FCTR recycled to profit and loss	(4)
Profit on disposal of subsidiary	

26. Non-current assets and disposal group assets and liabilities classified as held for sale (continued)

26.2 Disposals of operations during the year (continued)

Disposal of Liberty Health Administration Proprietary Limited

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

The assets and liabilities disposed of, were as follows:

Rm	2020
Cash and cash equivalents	8
Reimbursement accrual	12
Employee benefits	(1)
Insurance and other payables	(1)
Net assets and liabilities disposed of	18
Sale proceeds	32
Profit on disposal of subsidiary	14

27. Summary of the group's financial, property, insurance and reinsurance assets and long-term policyholder and reinsurance liabilities per class

27.1 Assets

	Rand denominated		Foreign currency denominated		Total	
Rm	2021	2020	2021	2020	2021	2020
Equity instruments	**61 396**	64 442	**48 480**	38 647	**109 876**	103 089
Listed equities on the JSE or foreign exchanges	**60 032**	58 816	**48 469**	38 575	**108 501**	97 391
Unlisted equities	**249**	3 777	**11**	72	**260**	3 849
Scrip assets – listed equities on the JSE	**1 115**	1 400			**1 115**	1 400
Interests in joint ventures		449				449
Debt instruments	**147 057**	141 307	**15 550**	15 301	**162 607**	156 608
Listed preference shares on the JSE or foreign exchanges	**34**	40	**92**	95	**126**	135
Unlisted preference shares	**191**	158	**6**	4	**197**	162
Listed term deposits on BESA, JSE or foreign exchanges	**92 585**	78 908	**11 257**	11 900	**103 842**	90 808
Unlisted term deposits	**51 233**	54 403	**3 974**	3 072	**55 207**	57 475
Repurchase agreements and collateral assets	**2 711**	7 217			**2 711**	7 217
Policy loans receivable	**303**	581			**303**	581
Financial assets at amortised cost			**221**	230	**221**	230
Mutual funds[1]	**115 181**	100 541	**38 085**	24 611	**153 266**	125 152
Property	**2 356**	1 005	**7**	6	**2 363**	1 011
Equity instruments	**14 953**	12 316	**8 666**	6 047	**23 619**	18 363
Interest-bearing instruments	**30 835**	25 616	**4 653**	3 006	**35 488**	28 622
Mixed asset classes	**67 037**	61 604	**24 759**	15 552	**91 796**	77 156
Investment policies			**992**	941	**992**	941
Long-term policyholder assets – insurance contracts	**2 868**	5 050			**2 868**	5 050
Reinsurance assets	**2 920**	2 539	**606**	543	**3 526**	3 082
Derivative assets held for trading and for hedging	**12 130**	19 221	**600**	734	**12 730**	19 955
Collateral deposits receivable	**2 712**	3 548	**13**		**2 725**	3 548
Prepayments, insurance and other receivables	**4 868**	5 128	**644**	685	**5 512**	5 813
Cash and cash equivalents	**15 074**	13 657	**8 068**	4 975	**23 142**	18 632
Properties	**30 080**	30 570	**170**	253	**30 250**	30 823
Total financial, property, insurance and reinsurance assets	**394 286**	386 003	**113 208**	86 690	**507 494**	472 693
Other assets not included in the asset class table						
Intangible assets					**445**	498
Defined benefit pension fund employer surplus					**105**	89
Equipment					**488**	548
Right-of-use assets					**398**	463
Interests in joint ventures – equity accounted					**54**	61
Interests in associate – equity accounted					**9**	9
Deferred taxation					**242**	240
Deferred acquisition costs					**780**	784
Non-current assets and disposal group assets classified as held for sale					**536**	213
Total assets as per statement of financial position					**510 551**	475 598

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

27. Summary of the group's financial, property, insurance and reinsurance assets and long-term policyholder and reinsurance liabilities per class (continued)

27.2 Liabilities

Rm	Long-term policyholder liabilities				
	Insurance contracts	Investment contracts	Investment contracts with DPF	Reinsurance liabilities	Total
2021					
Investment-linked (excluding discretionary participation features (DPF))	159 911	121 300		164	281 375
Business with DPF	15 110		9 132		24 242
Non-participating annuities (including disability income in claim)	38 540	1 116			39 656
Guaranteed capital endowments	13 184	1 589			14 773
Retail pure risk (excluding disability income annuities in claim)	915			41	956
Institutional risk (excluding group disability income annuities in claim)	1 120				1 120
Embedded derivatives	1 164	(58)			1 106
Total long-term policyholder and reinsurance liabilities	229 944	123 947	9 132	205	363 228
2020					
Investment-linked (excluding discretionary participation features (DPF))	144 228	104 233		178	248 639
Business with DPF	14 602		9 334		23 936
Non-participating annuities (including disability income in claim)	33 880	1 182			35 062
Guaranteed capital endowments	12 475	1 570			14 045
Retail pure risk (excluding disability income annuities in claim)	657			28	685
Institutional risk (excluding group disability income annuities in claim)	1 153				1 153
Embedded derivatives	1 909	(30)			1 879
Total long-term policyholder and reinsurance liabilities	208 904	106 955	9 334	206	325 399

28. Fair value hierarchy

28.1 Introduction

The fair value of prepayments and other receivables, cash and cash equivalents and other payables, that under the IFRS 9 business model approach are held at amortised cost are not included in the hierarchy table as their settlement terms are short-term. These financial instruments are not subject to material market sensitivities.

28. Fair value hierarchy (continued)

28.2 Asset hierarchy

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

2021 Rm	Level 1	Level 2	Level 3	Total
Equity instruments	109 616	13	247	109 876
Listed equities on the JSE or foreign exchanges	108 501			108 501
Unlisted equities		13	247	260
Scrip assets – listed equities on the JSE	1 115			1 115
Debt instruments	86 860	73 663	1 560	162 083
Listed preference shares on the JSE or foreign exchanges	126			126
Unlisted preference shares		136	61	197
Listed term deposits on BESA, JSE or foreign exchanges	84 023	19 819		103 842
Unlisted term deposits		53 708	1 499	55 207
Repurchase agreements and collateral assets	2 711			2 711
Mutual funds[1]	20 327	130 240	2 699	153 266
Property	7	2 356		2 363
Equity instruments	2 246	20 960	413	23 619
Interest-bearing instruments	1 194	34 294		35 488
Mixed asset classes	16 880	72 630	2 286	91 796
Investment policies		14	978	992
Derivative assets held for trading and for hedging		12 730		12 730
Equity instruments		2 093		2 093
Currency exchange instruments		375		375
Interest rate instruments		10 262		10 262
Policy loans receivable			303	303
Properties			30 250	30 250
Non-current assets classified as held for sale - properties			361	361
Collateral deposits receivable		2 725		2 725
Prepayments and other receivables held at fair value through profit or loss			1 693	1 693
Cash and cash equivalents held at fair value through profit or loss		13 496		13 496
Total assets subject to fair value hierarchy analysis	216 803	232 881	38 091	487 775
Other assets not subject to fair value hierarchy analysis:				
Intangible assets				445
Defined benefit pension fund employer surplus				105
Equipment				488
Right-of-use assets				398
Interest in joint venture – equity accounted				54
Interest in associate – equity accounted				9
Deferred taxation				242
Deferred acquisition costs				780
Long-term policyholder assets – insurance contracts				2 868
Reinsurance assets				3 526
Policy loans receivable				221
Prepayments and other receivables held at amortised cost				771
Insurance contract receivables				3 048
Cash and cash equivalents held at amortised cost				9 646
Disposal group assets classified as held for sale				175
Total assets as per statement of financial position				510 551

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

28. Fair value hierarchy (continued)

28.2 Asset hierarchy (continued)

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

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

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

28. Fair value hierarchy (continued)

28.3 Liability hierarchy

The table below analyses the fair value measurements of financial instrument liabilities by level

2021 Rm	Level 1	Level 2	Level 3	Total
Policyholder long-term investment contract liabilities		123 947		123 947
Third-party financial liabilities arising on consolidation of mutual funds		72 605	129	72 734
Financial liabilities designated at fair value through profit or loss		6 609		6 609
Liabilities held for trading and for hedging		11 485		11 485
Repurchase agreements liabilities		2 727		2 727
Collateral deposits payable		3 261		3 261
Other payables at fair value through profit or loss			4 304	4 304
Total liabilities subject to fair value hierarchy analysis		220 634	4 433	225 067
Other liabilities not subject to fair value hierarchy analysis:				
Insurance contracts				229 944
Investment contracts with discretionary participation features				9 132
Reinsurance liabilities				205
Provisions				140
Deferred taxation				2 096
Deferred revenue				371
Short-term insurance liabilities				1 170
Financial liabilities at amortised cost				2 035
Lease liabilities				444
Employee benefits				1 585
Other payables at amortised cost				852
Insurance contract payables				9 041
Current taxation				680
Disposal group liabilities classified as held for sale				96
Total liabilities as per statement of financial position				482 858

28. Fair value hierarchy (continued)

28.3 Liability hierarchy (continued)

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

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

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

Rm	Amortised cost	Fair value	Level 1	Level 2	Level 3
2021					
Financial assets measured at amortised cost					
Policy loans receivable – net carrying value	**221**	**206**			**206**
Financial liabilities measured at amortised cost					
Loan facilities	**2 035**	**2 027**		**2 027**	
2020					
Financial assets measured at amortised cost					
Policy loans receivable – net carrying value	230	214			214
Financial liabilities measured at amortised cost					
Loan facilities	2 775	2 767		2 767	

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

28. Fair value hierarchy (continued)

28.5 Reconciliation of level 3 assets and liabilities

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

Rm	Properties	Financial instru-ments - equity and mutual funds	Financial instru-ments - debt	Financial instru-ments - policy loans receivable	Financial instru-ments - invest-ment policies	Total
2021						
Balance at the beginning of the year, excluding prepayments and other receivables	30 823	5 655	65	581	929	38 053
Fair value adjustment recognised in profit or loss as part of investment gains[1]	(158)	498	(3)	60	38	435
Fair value adjustment and foreign currency translation recognised in other comprehensive income[1]	(180)					(180)
Reclassification of level 3 assets [3]			1 499			1 499
Derecognition of level 3 assets[4]		(3 013)				(3 013)
Additions	131	250		18		399
Disposals/repayments	(5)	(444)	(1)	(356)		(806)
Movements on third-party share of financial instruments in mutual funds					11	11
Balance at the end of the year, excluding prepayments and other receivables	30 611	2 946	1 560	303	978	36 398
Financial instruments - prepayments and other receivables[2]						1 693
Balance at the end of the year	30 611	2 946	1 560	303	978	38 091
2020[6]						
Balance at the beginning of the year, excluding prepayments and other receivables	36 642	5 180	189	665	901	43 577
Fair value adjustment recognised in profit or loss as part of investment gains[1]	(5 672)	(392)	(124)	49	57	(6 082)
Fair value adjustment and foreign currency translation recognised in other comprehensive income[1]	(84)					(84)
Derecognition of level 3 assets[4]		(1 946)				(1 946)
Additions[5]	307	3 241		56		3 604
Disposals/repayments	(370)	(428)		(189)		(987)
Movements on third-party share of financial instruments in mutual funds					(29)	(29)
Balance at the end of the year, excluding prepayments and other receivables	30 823	5 655	65	581	929	38 053
Financial instruments - prepayments and other receivables[2]						3 101
Balance at the end of the year	30 823	5 655	65	581	929	41 154

[1] *Included in the total fair value adjustments is a R193 million unrealised gain (2020: R6 332 million unrealised loss).*

[2] *No movement analysis is provided for prepayments and other receivables that are included as level 3 assets in the fair value hierarchy. These amounts are typically short term trade debtors and arise in the ordinary course of business. It is impracticable to separate the additions and disposals. As a result of the COVID-19 pandemic, a fair value loss of R5 million (2020: R639 million) was recognised against property debtors.*

[3] *In 2021, the group reclassified debt instruments to level 3 due to increased uncertainty relating to the non-market observable valuation inputs which have a material bearing on the valuation.*

[4] *During 2021, the group no longer met the IFRS 10 criteria for consolidation of the STANLIB Infrastructure Fund 2 and de-recognised the previously recognised underlying joint ventures held by that fund. The STANLIB Infrastructure Fund 2 is recognised as an interest in associate as at 31 December 2021. During 2020, the group no longer met the IFRS 10 criteria for consolidation of the STANLIB Infrastructure PE Fund 1 (renamed the STANLIB Infrastructure Fund 1) and de-recognised the previously recognised underlying joint ventures held by that fund (R3 033 million). The STANLIB Infrastructure Fund 1 was recognised as an interest in associate as at 31 December 2020.*

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

[6] *Disclosure has been expanded to show the movements by asset class.*

28. Fair value hierarchy (continued)

28.5 Reconciliation of level 3 assets and liabilities (continued)

The liabilities categorised as level 3 relate to the consolidated mutual fund third party portion. The movement in the period is shown below.

Rm	2021	2020
Balance at the beginning of the year	2 178	1 540
Derecognition of level 3 assets [1]	(2 059)	(1 393)
Additions [2]		2 059
Unrealised fair value adjustments and net movements on consolidated mutual funds	10	(28)
Balance at the end of the year	129	2 178

[1] *During 2021, the group no longer met the IFRS 10 criteria for consolidation of the STANLIB Infrastructure Fund 2 and the underlying joint ventures previously recognised have been de-recognised in 2021 which reduced the corresponding third-party liabilities. During 2020, the group no longer met the IFRS 10 criteria for consolidation of the STANLIB Infrastructure PE Fund 1 (renamed the STANLIB Infrastructure Fund 1) and de-recognised the previously recognised underlying joint ventures held by that fund.*

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

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

28.6 Sensitivity analysis of level 3 assets

28.6.1 Investment and owner-occupied property

Investment properties fair values were obtained from independent valuators who derived the values by determining sustainable net rental income, to which an appropriate exit capitalisation rate is applied. Exit capitalisation rates are adjusted for occupancy levels, age of the building, location and expected future benefit of recent alterations. Fair values for owner occupied properties not backing policyholder liabilities were obtained from independent valuators at 31 December 2021 and internally determined at 31 December 2020.

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

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

		Change in exit capitalisation rate	
Rm	Total	1% increase	1% decrease
2021			
Properties below 7,3% capitalisation rate	13 216	12 004	14 830
Properties between 7,3% – 8,5% capitalisation rate	14 498	13 368	15 961
Properties between 8,6% – 10% capitalisation rate	2 536	2 436	2 662
Total	30 250	27 808	33 453
2020			
Properties below 7,3% capitalisation rate	16 039	14 546	18 056
Properties between 7,3% – 8,5% capitalisation rate	11 856	10 958	13 019
Properties between 8,6% – 10% capitalisation rate	2 928	2 739	3 162
Total	30 823	28 243	34 237

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

		Change in discount rate	
Rm	Total	1% increase	1% decrease
2021			
Total properties	30 250	29 052	31 542
2020			
Total properties	30 823	29 527	32 227

28. Fair value hierarchy (continued)

28.6 Sensitivity analysis of level 3 assets (continued)

28.6.2 Financial instrument assets

	2021		2020	
	Rm	Discount rate (%)	Rm	Discount rate (%)
Equities and mutual funds				
Unlisted equities	247	15-18	3 836	14-17
Interests in joint ventures			449	19
Mutual funds	2 699	11-18	1 370	11-17
Investment policies	978	12	929	12
Debt				
Unlisted preference shares	61	16	65	15
Unlisted term deposits	1 499	6 - 11		
Policy loans receivable	303	9	581	9

Analysis of the significant components of level 3 financial instrument assets

Included in the financial instruments in the table above are the following significant exposures to underlying assets and associated operations (the valuation of these investments makes use of the various methodologies illustrated in section 28.10):

Unlisted equities, interests in joint ventures and mutual funds:

South African renewable energy projects (solar and wind)[1]: R502 million (2020: R2 963 million), (Liberty Holdings ordinary shareholder net exposure 8% (2020: 13%)).
Key valuation inputs: Eskom electricity tariff outlook, consumer price inflation (4,75%), risk discount rates (13,0% - 13,2%).

Infrastructure projects throughout South Africa and Africa: R420 million (2020: R705 million), (Liberty Holdings ordinary shareholder net exposure 34% (2020: 41%)).
Key valuation inputs: GDP growth, estimated project timing, contractual revenue details, risk discount rates.

South African toll road concessions[1]: R105 million (2020: R613 million) (Liberty Holdings ordinary shareholder net exposure 8% (2020: 13%)).
Key valuation inputs: GDP growth (2,0%), consumer price inflation (4,75%), risk discount rates (15,6% - 16,0%).

South African grain silos[1]: R73 million (2020: R450 million) (Liberty Holdings ordinary shareholder net exposure 8% (2020: 13%)).

Key valuation inputs: GDP growth (2,0%), consumer price inflation (4,75%), grain yields, maintenance commitments, risk discount rate (19,5%).

Digital Infrastructure: R411 million (2020: Rnil), (Liberty Holdings ordinary shareholder net exposure 8% (2020: Rnil)).

Key valuation inputs: Risk discount rates (11,8% - 12,0%), average revenue per user, fibre 'take up rates' and number of homes passed.

[1] *These investments are held within the Stanlib Infrastructure Fund 2, which was disclosed as a mutual fund subsidiary at 31 December 2020. The reduced values at 31 December 2021 are mainly attributable to the fund no longer being treated as a mutual fund subsidiary.*

Private equity funds: Agrie-Vie Fund II R414 million (2020: R255 million) is invested in food and agri businesses in Sub-Saharan Africa (Liberty Holdings ordinary shareholder net exposure 34% (2020: 41%)). Emerging Capital Partners Fund IV: R488 million (2020: R250 million) focuses on control and significant minority investment stakes on a Pan-African level in four core sectors: financial services, consumer goods, telecommunications & ICT, and infrastructure & logistics. (Liberty Holdings ordinary shareholder net exposure 34% (2020: 41%)).

28. Fair value hierarchy (continued)

28.6 Sensitivity analysis of level 3 assets (continued)

28.6.2 Financial instrument assets (continued)

Investment policies:

R978 million (2020: R929 million) (Liberty Holdings ordinary shareholder net exposure 19% (2020: 20%)).

The investment policies are exclusively issued life policy assets issued in the United States of America (USA) on domestic USA insured lives. Remaining policies are in total, less than 50 insured lives. Each policy is different, and valued uniquely, as it is issued against an individual insured life which has its own unique health status. The unobservable inputs for the life policy assets are various factors influencing the life expectancy of the individual lives. Consideration of industry mortality experience by the external valuators has resulted in no adjustment for mortality to the valuation of the life policy assets at 31 December 2021.

Unlisted term deposits:

Certain unlisted term deposit instruments have been reclassified as level 3 assets. The change in classification is a result of increased uncertainty relating to the non-market observable valuation inputs, which have a material bearing on the valuation. The valuation methodology used for these assets is a discounted cash flow model using probability-weighted cash flows based on their probability of occurrence. The credit rating assigned to each counterparty determines the probability weighting of each cash flow.

Key valuation inputs: Probabiltiy-weighted cash flows, risk free discount rate (3,6% - 3,9%), credit ratings (BB- to CC).

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

	2021			2020		
		Change in discount rate			Change in discount rate	
Rm	Net shareholder exposure	1% increase	1% decrease	Net shareholder exposure	1% increase	1% decrease
After tax net impact to profit or loss and shareholder equity	**3 013**	**(284)**	**341**	1 455	(123)	136

The shareholder exposure has increased from 2020 due to the reclassification of unlisted term deposits of R1 499 million to level 3 assets in 2021.

28. Fair value hierarchy (continued)

28.7 Accounting classifications of financial instruments under IFRS 9, including other measurement basis

The table below reflects the classification of the group's financial assets and financial liabilities as at 31 December 2021 split into the IFRS 9 measurement categories. The financial assets categories have been determined based on the contractual cash flow characteristics and business model of the entity. Other measurement basis refers to equity accounting under IAS 28, or balances under IFRS 4.

	Fair value through profit or loss							
2021 Rm	Held for trading and for hedging	Designated	Default business model	Fair value through other comprehensive income	Total fair value	Amortised cost	Other measurement basis	Total per statement of financial position
Financial assets								
Interests in joint ventures							54	54
Interests in associates			21 731		21 731		9	21 740
Financial investments		2 040	375 357	23 263	400 660			400 660
Policy loans receivable			303		303	221		524
Assets held for trading and for hedging	15 455				15 455			15 455
Repurchase agreements, scrip and collateral assets			3 826		3 826			3 826
Prepayments, insurance and other receivables			1 693		1 693	771	3 048	5 512
Cash and cash equivalents			13 496		13 496	9 646		23 142
Total financial assets	15 455	2 040	416 406	23 263	457 164	10 638	3 111	470 913
Financial liabilities								
Financial liabilities under investment contracts		123 947			123 947			123 947
Third-party financial liabilities arising on consolidation of mutual funds		72 734			72 734			72 734
Financial liabilities		6 609			6 609	2 035		8 644
Liabilities held for trading and for hedging	11 485				11 485			11 485
Repurchase agreements liabilities and collateral deposits payable		5 988			5 988			5 988
Insurance and other payables		4 304			4 304	852	9 041	14 197
Total financial liabilities	11 485	213 582			225 067	2 887	9 041	236 995

28. Fair value hierarchy (continued)

28.7 Accounting classifications of financial instruments under IFRS 9, including other measurement basis (continued)

2020 Rm	Fair value through profit or loss: Held for trading and for hedging	Fair value through profit or loss: Designated	Fair value through profit or loss: Default business model	Fair value through other comprehensive income	Total fair value	Amortised cost	Other measurement basis	Total per statement of financial position
Financial assets								
Interests in joint ventures			449		449		61	510
Interests in associates			20 953		20 953		9	20 962
Financial investments		2 153	317 809	34 998	354 960			354 960
Policy loans receivable			581		581	230		811
Assets held for trading and for hedging	23 503				23 503			23 503
Repurchase agreements, scrip and collateral assets			8 617		8 617			8 617
Prepayments, insurance and other receivables			3 101		3 101	714	1 998	5 813
Cash and cash equivalents			11 875		11 875	6 757		18 632
Total financial assets	23 503	2 153	363 385	34 998	424 039	7 701	2 068	433 808
Financial liabilities								
Financial liabilities under investment contracts		106 954			106 954			106 954
Third-party financial liabilities arising on consolidation of mutual funds		61 505			61 505			61 505
Financial liabilities		7 408			7 408	2 775		10 183
Liabilities held for trading and for hedging	18 105				18 105			18 105
Repurchase agreements liabilities and collateral deposits payable		11 512			11 512			11 512
Insurance and other payables		6 625			6 625	902	7 427	14 954
Total financial liabilities	18 105	194 004			212 109	3 677	7 427	223 213

28.8 Group's valuation process

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

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

28. Fair value hierarchy (continued)

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

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

28. Fair value hierarchy (continued)

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

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

29. Share capital and share premium

Authorised share capital
15 000 000 cumulative preference shares of 10 cents each[1]
50 000 000 cumalative non-convertible redeemable no par preference shares
400 000 000 ordinary shares of 8,33 recurring cents each

Unissued shares[2]
50 000 000 cumulative non-convertible redeemable no par preference shares
113 797 627 ordinary shares of 8,33 recurring cents each

Rm	2021	2020
Company		
Issued share capital		
286 202 373 ordinary shares of 8,33 recurring cents each	24	24
15 000 000 cumulative preference shares of 10 cents each[1]	2	2
Total issued share capital	26	26
Share premium	6 162	6 162
Total issued share capital and share premium	6 188	6 188
Group		
Total issued share capital	26	26
Share premium	4 856	4 952
Company share premium	6 162	6 162
Cumulative fulfilment of employee share options/rights[3]	(1 227)	(1 131)
Share issue cost in subsidiary[4]	(79)	(79)
Total issued share capital and share premium	4 882	4 978

(1) The 15 000 000 cumulative preference shares were delisted on 23 November 2021 as part of the SBG scheme of arrangements - refer to Events after reporting date for further details.
(2) Unissued shares reserved:
For the purpose of the Liberty Life Equity Growth Scheme and the Liberty Equity Growth Scheme, 6 938 799 (2020: 6 084 668) ordinary shares of 8,33 recurring cents each.
(3) Reflects the effects of the purchase at market value and sale at the option/right price of the company shares by a subsidiary to meet the obligations of the various employee equity-settled schemes.
(4) This relates to transaction costs for the issue of new units in a subsidiary, Liberty Two Degrees.

The 15 000 000 cumulative preference shares are not redeemable and carry dividends at the rate of 11 cents per share per annum.

The preference shares confer the right, on a winding up of the company, to receive a return of R1 per share together with any arrears in preference dividends in priority to any payment in respect of any other class of share in the capital of the company then issued.

The following unissued shares are all under the general authority and control of the directors, which expires at the annual general meeting to be held in 2022: 113 797 627 (2020: 113 797 627) ordinary shares of 8,33 recurring cents each.

The closing price for a Liberty Holdings Limited ordinary share on 31 December 2021: R94,54 (2020: R61,98).

29. Share capital and share premium (continued)

Number of shares	2021	2020
Group		
Ordinary shares		
Issued shares at 31 December	286 202 373	286 202 373
Held as treasury shares in Lexshell 615 Investments (Pty) Ltd	(13 278 412)	(13 236 412)
Opening balance	(13 236 412)	(9 744 097)
Purchases during the year	(42 000)	(3 504 810)
Sold or distributed[1] during the year		12 495
Held as employee restricted shares in The Liberty Holdings Group Restricted Share Trust	(3 522 278)	(4 594 806)
Opening balance	(4 594 807)	(4 236 647)
Purchases during the year		(1 707 480)
Sold or distributed during the year[1]	1 072 529	1 349 321
Group effective number of shares issued at 31 December	269 401 683	268 371 155

[1] *Certain ordinary shares are held by The Liberty Holdings Group Restricted Share Trust in terms of the employee restricted share schemes. On vesting the trustees distribute the relevant ordinary shares to the beneficiaries.*

30. Premiums

Rm	2021	2020
Insurance premiums	47 085	41 816
Long-term	44 908	39 485
Short-term	2 177	2 331
Reinsurance premiums	(2 721)	(2 614)
Long-term	(2 073)	(1 913)
Short-term	(648)	(701)
Net insurance premiums	44 364	39 202
Fund inflows from long-term investment contracts	19 494	16 328
Net premium income from insurance contracts and inflows from investment contracts	63 858	55 530
Long-term insurance	62 329	53 900
Retail	50 308	43 300
Institutional	12 021	10 600
Short-term insurance	1 529	1 630
Medical risk	1 025	1 092
Motor, property and other	504	538
Comprising:		
Recurring premium income and inflows from investment contracts	33 243	32 030
Retail	22 726	21 667
Institutional	8 988	8 733
Medical risk	1 025	1 092
Motor, property and other	504	538
Single premium income and inflows from investment contracts	30 615	23 500
Retail	27 582	21 633
Institutional	3 033	1 867
Net premium income from insurance contracts and inflows from investment contracts	63 858	55 530

31. Revenue from contracts with customers

Rm	2021	2020
Service fee income from long-term policyholder investment contracts	**1 413**	1 211
Service fee income from investment contracts	1 435	1 226
Deferred revenue released to profit or loss	43	40
Deferred income relating to new business	(65)	(55)
Fee revenue	**1 995**	2 048
Management fees on assets under management	1 794	1 804
Performance fees[1]	28	103
Health administration fees	75	88
Other fee revenue	98	53
Fee income on placement of reinsurance	**134**	141
Total revenue from contracts with customers	**3 542**	3 400

[1] *Performance fees are subject to variable constraints (refer accounting policy 8.2 set out in Appendix A). As at the reporting date, the group assessed the potential of any revenue reversals due to these constraints and determined that the probability of such reversals is immaterial.*

IFRS 15 requires disclosure of information relating to the timing of revenue recognised from contracts with customers. All of the group's revenue is recognised over time.

Service fee income on policyholder investment contracts comprises of both administration and asset management services and is recognised over time as services are rendered, with reference to the contract terms (agreed fee and service). These fees are generally recognised on a daily basis as these services are rendered consistently over the contract period and include utilisation of skilled professionals' time and applicable support services, including IT systems. Management fees on assets under management are recognised (with reference to agreed fee terms) as these services are rendered. This is generally on a daily basis over the duration of the contract as these services (being the utilisation of professional asset management skills, supported by IT systems and services) are consistently applied over the contract term.

32. Investment income

Rm	2021	2020
Non-financial assets at fair value through profit or loss		
Investment properties – rental income	2 789	2 765
Sundry income	24	111
Scrip lending manufactured dividends and fees	69	57
Investment return on defined benefit pension fund surplus	12	13
Total investment income	**2 894**	2 946

33. Interest income on financial assets using the effective interest rate method

Rm	2021	2020
Financial assets classified at FVOCI (interest income in the statement of comprehensive income)		
Term deposits	1 226	1 310
At amortised cost		
Policy loans receivable - interest income	23	25
Interest income on cash and cash equivalents	292	313
Total interest income on financial assets using the effective interest rate method	**1 541**	1 648

34. Fair value adjustments to assets held at fair value through profit or loss

Rm	2021	2020
Investment properties	(106)	(5 419)
Property debtors at fair value through profit and loss[1]	(5)	(639)
Financial assets at fair value through profit or loss (default business model)	64 267	24 889
Cash and cash equivalents at fair value through profit or loss	283	749
Financial instruments at fair value through profit or loss	60 178	21 990
Financial instruments held for hedging and for trading	3 806	2 150
Financial assets designated at fair value through profit or loss	7	8
Foreign exchange differences on subsidiary monetary items	45	8
Total fair value adjustments to assets held at fair value through profit or loss[2]	64 208	18 847

[1] *Mainly as a result of the impacts of the COVID-19 pandemic, the group recognised a fair value loss to property debtors in the current year and prior year. Included in the total fair value loss is R1 million loss (2020: R390 million loss) related to rental concessions granted in the form of retrospective rental relief, R140 million loss (2020: R26 million loss) related to legal write-offs where the group has no chance of recoverability, R16 million loss related to likely non-recovery where the lessee is in business rescue and are regarded as bad debts written off for financial reporting purposes and R80 million fair value gain (2020: R172 million loss) based on the current ageing of the debtors' book, change in credit risk and economic factors such as GDP growth, inflation and interest rates. Also included is a R21 million gain related to bad debt recovery of legal amounts previously written off as non-recoverable and a R51 million gain (2020: R51 million loss) that is a reversal of a provision raised in 2020 for rental and related income write offs.*

[2] *Included in the fair value adjustments for 2021 was R2 963 million (2020: R3 070 million) related to dividends received, R9 967 million (2020: R10 283 million) related to interest income and R51 121 million (2020: R5 494 million) related to net investment gains.*

35. Claims and policyholder benefits

Rm	2021	2020
Insurance claims and policyholder benefits	48 673	40 224
Long-term	47 413	38 884
Short-term	1 260	1 340
Payments under long-term investment contracts	18 754	20 261
Total claims and policyholder benefits	67 427	60 485
Insurance claims recovered from reinsurers	(3 466)	(2 161)
Long-term	(3 209)	(1 848)
Short-term	(257)	(313)
Net claims and policyholder benefits	63 961	58 324
Comprising:		
Long-term insurance – retail	49 822	43 496
Death and disability claims	14 089	9 076
Policy maturity claims	3 026	2 637
Policy surrender claims	24 217	24 031
Annuity payments	8 490	7 752
Long-term insurance – institutional	13 135	13 801
Death and disability claims	3 769	2 592
Scheme terminations and member withdrawals	8 543	10 392
Annuity payments	823	817
Short-term insurance	1 004	1 027
Medical risk	759	811
Motor, property and other	245	216
Total claims and policyholder benefits	63 961	58 324

36. Acquisition costs

Rm	2021	2020
Long-term insurance	3 893	3 525
Insurance contracts	3 254	2 936
Investment contracts	639	589
Short-term insurance	180	174
Asset management and other	146	359
Total acquisition costs	4 219	4 058
Incurred during the year	4 213	4 052
Deferred acquisition costs	(292)	(310)
Amortisation of deferred acquisition costs	298	316

37. General marketing and administration expenses

Rm	2021	2020
Employee costs	4 645	4 425
Office costs	4 838	4 305
Training and development costs	444	431
Other	2 171	2 103
Total general marketing and administration expenses	12 098	11 264
Amortisation and impairment of intangible assets (excluding goodwill) (refer note 3)	238	283
Auditors' remuneration	75	78
Audit fees – current year	73	75
Other services	2	3
Consulting fees and outsource arrangements	1 167	959
Depreciation of equipment (refer note 5)	208	306
Depreciation of right-of-use assets (refer note 6)	104	88
Loss on retirement of intangible asset (refer note 3)	11	
Loss on termination/cancellation of right-of-use asset	3	2
Direct operating expenses – investment properties	1 079	1 000
– owner-occupied properties	32	29
Asset management fees	262	219
Expenses relating to short-term leases	77	96
Expenses relating to leases of low-value assets	37	6
Other related South African taxes	678	591
Financial services levy	43	44
Non-recoverable value added taxation	635	547
Employee costs	4 645	4 425
Salaries and wages	3 077	3 029
Defined benefit pension fund contributions (refer note 24.5)	14	17
Medical aid contributions	206	203
Staff and management incentive schemes	785	594
Share-based payment expense – equity settled schemes (refer note 38)	121	108
Other retirement contributions	289	279
Other	153	195

38. Share-based payments

Rm	2021	2020
Reconciliation of reserve		
Equity growth scheme	98	87
Restricted share plans	142	197
Performance reward plan	128	56
Total share-based payments reserve	368	340
Movement for the year	28	36
Per profit or loss – equity-settled schemes	121	108
Non-controlling interest share of share-based payments	(2)	(7)
Transfer of vested rights to retained surplus	(91)	(42)
Payment of Liberty Holdings Limited dividend to restricted share plans participants		(23)
Share-based payments – equity-settled schemes		
Expense recognised in profit or loss	121	108
Share rights	24	21
Restricted share plans	25	61
Performance reward plan	72	26

38.1 Equity-settled remuneration schemes

Liberty has a number of share incentive schemes for key management personnel and senior employees linked to Liberty Holdings Limited (Liberty) shares or, where applicable, to Liberty Two Degrees shares. These share incentive schemes are the Restricted Share Plans, the Performance Reward Plan (PRP) and the Liberty Equity Growth Scheme. Refer to note 51 'Events after reporting date' for detail of the impact of the scheme of arrangement on the Liberty share schemes after the reporting date.

Liberty Holdings group restricted share plan (long-term plan) (effective until 31 December 2018)

Awards are made to certain selected executives in the format of fully paid-up shares in Liberty Holdings Limited which are held in a trust subject to vesting conditions (service and performance) and will be forfeited if these conditions are not met during the performance measurement period.

Liberty Two Degrees group restricted share plan (long-term plan)

Liberty Two Degrees adopted a share incentive scheme for employees. Awards are made to certain selected employees in the format of fully paid-up shares in Liberty Two Degrees Limited which are held in a trust subject to vesting conditions (service and performance) and will be forfeited if these conditions are not met during the performance measurement period.

Liberty Holdings group restricted share plan (deferred plan)

Annual short-term incentive performance bonus payments in excess of thresholds determined annually by Liberty's remuneration committee, are subject to mandatory deferral. This is achieved by investing the deferred portions of the short-term incentive awards into Liberty Holdings Limited shares, which are held in a trust, subject to vesting conditions.

Participants under the long-term and deferred plans are entitled to receive dividends as paid. As the dividends are already priced into the fair value of the shares on grant date, any receipt of dividends to participants is accounted for as a reduction in the share-based payments reserve. No voting rights are attached to the shares held in trust.

Liberty Two Degrees group restricted share plan (deferred plan)

Annual short-term incentive performance bonus payments in excess of thresholds determined annually by Liberty Two Degrees' remuneration committee, are subject to mandatory deferral. This is achieved by investing the deferred portions of the short-term incentive awards into Liberty Two Degrees Limited shares, which are held in a trust, subject to vesting conditions.

Participants under the long-term and deferred plans are entitled to receive dividends as paid. As the dividends are already priced into the fair value of the shares on grant date, any receipt of dividends to participants is accounted for as a reduction in the share-based payments reserve. No voting rights are attached to the shares held in trust.

38. Share-based payments (continued)

38.1 Equity-settled remuneration schemes (continued)

Liberty Equity Growth Scheme

The Liberty Equity Growth Scheme confers rights on employees to acquire Liberty ordinary shares equivalent to the value of the right at date of exercise which are effectively settled by the issue of shares equivalent to the value of rights. The group is required to ensure that employee's tax arising from benefits due at date of vesting in terms of the scheme is paid in accordance with the Fourth Schedule of the Income Tax Act of South Africa. Where employees have not exercised at vesting date and elect not to fund the tax from their own resources the tax due is treated as a diminution of the gross benefits due under the scheme.

Liberty Holdings Limited performance reward plan

Annual long-term incentive awards are granted to applicable executives and senior management, fully subject to vesting conditions (performance) set by Liberty's remuneration committee (Remco). The performance period of 4 years will determine the total number of shares to be delivered. 50% of shares will be settled after year 4 and 50% after year 5, with year 5 being a service vesting condition only. The Remco shall determine the final percentage of the performance conditions that apply to each allocation, and that percentage shall be multiplied by the number of units that will vest on vesting date. Each unit is the equivalent of one Liberty Holdings ordinary share.

No dividends are received by participants during the vesting period. A cash award will be paid to each participant at the vesting dates (i.e. end of year 4 and end of year 5) equivalent to the dividends payable during the vesting period times the number of shares that vested.

Refer to Appendix B for full details regarding these equity-settled schemes related to Liberty Holdings Limited shares. Refer to note 51 "Events after reporting date" for the impact of the scheme of arrangement on the share schemes.

38.2 Summary of movements under restricted share plans

Liberty Holdings group restricted share plan (long-term plan)

	2021		2020	
Movement summary	**Price range**	**Number**	**Price range**	**Number**
Shares outstanding at the beginning of the year		2 144 952		3 036 376
Exercised	R103,60 - R138,00	(187 696)	R103,60 - R141,00	(92 185)
Cancellations	R103,60 - R138,40	(831 843)	R103,60 - R169,63	(799 239)
Shares outstanding at the end of the year		1 125 413		2 144 952
Share-based payment expense (Rm)[1]		(67)		(28)

[1] *Includes the reversal of expenses due to the cancellation of LTIPs.*

Awards vest 33,33% at the end of year 3, 4 and 5 respectively.

Liberty Holdings group restricted share plan (deferred plan)

	2021		2020	
Movement summary	**Price range**	**Number**	**Price range**	**Number**
Shares outstanding at the beginning of the year		2 406 981		1 187 085
Granted	R57,65 - R91,24	1 290 875	R60,51 - R108,64	1 763 973
Exercised	R65,65 - R138,00	(881 151)	R99,14 - R160,40	(424 436)
Cancellations	R65,65 - R138,00	(210 936)	R65,65 - R138,40	(119 641)
Shares outstanding at the end of the year		2 605 769		2 406 981
Share-based payment expense (Rm)		86		80

Awards vest 33,33% at the end of 18 months, 30 months and 42 months respectively.

38. Share-based payments (continued)

38.2 Summary of movements under restricted share plans (continued)

Liberty Two Degrees group restricted share plan (long-term plan)

	2021		2020	
Movement summary	**Price range**	**Number**	**Price range**	**Number**
Shares outstanding at the beginning of the year		8 805 293		5 145 308
Granted	R4,78	3 628 686	R4,55 - R5,79	3 852 890
Exercised	R4,25 - R4,38	(324 237)	R6,72 - R6,74	(177 176)
Cancellations	R4,25 - R4,38	(1 698 817)	R6,74	(15 729)
Shares outstanding at the end of the year		10 410 925		8 805 293
Share-based payment expense (Rm)		4		7

Awards vest 33,33% at the end of year 3, 4 and 5 respectively.

As announced on SENS, the remuneration committee of Liberty Two Degrees Limited issued a special once-off LTIP of 2 791 641 shares in November 2020. Vesting will occur in in three equal tranches commencing at the end of year 3. The price per share was R4,60.

Liberty Two Degrees group restricted share plan (deferred plan)

	2021		2020	
Movement summary	**Price range**	**Number**	**Price range**	**Number**
Shares outstanding at the beginning of the year		377 391		413 573
Granted	R4,78	139 581	R5,79	352 822
Exercised	R4,38	(249 188)	R6,72	(389 004)
Cancellations	R4,25 - R4,38	(15 320)		
Shares outstanding at the end of the year		252 464		377 391
Share-based payment expense (Rm)		2		2

Awards vest 33,33% at the end of 18 months, 30 months and 42 months respectively.

Liberty Holdings Limited performance reward plan

	2021		2020	
Movement summary	**Price range**	**Number**	**Price range**	**Number**
Shares outstanding at the beginning of the year		1 462 598		1 462 598
Granted	R68,24	2 612 861	R65,65	2 073 134
Cancellations			R65,65	(2 073 134)
Shares outstanding at the end of the year		4 075 459		1 462 598
Share-based payment expense (Rm)		72		26

Awards vest 33,33% at the end of 18 months, 30 months and 42 months respectively.

38. Share-based payments (continued)

38.2 Summary of movements under restricted share plans (continued)

Liberty Equity Growth Scheme

	2021		2020	
Movement summary	**Price range**	**Number**	**Price range**	**Number**
Shares outstanding at the beginning of the year		**11 627 628**		3 025 888
Granted			R55,85	9 055 000
Exercised			R66,00 - R80,30	(121 750)
Cancellations	**R69,00 - R138,00**	**(1 085 087)**	R69,00 - R138,00	(331 510)
Shares outstanding at the end of the year		**10 542 541**		11 627 628
Share-based payment expense (Rm)		**24**		21

50% of the rights vest in year three, thereafter 25% in years four and five. Typically, the employee must remain in the employment of the company in order to exercise options/rights. A modified binomial tree model was used in order to value the share rights.

Rights granted (no rights were granted in 2021)	**2020**
Weighted average fair value per share right granted, using the following assumptions:	R16,30
Exercise price	R55,85
Expected volatility (%)[1]	28
Option life vesting/implementation	5 years/10 years
Dividend yield (%)[2]	5,30

[1] *The expected volatility is based on the annualised historic volatility of the share price for the 10 years before the valuation date. The volatility is calculated using daily price movements on trading days.*
[2] *The dividend yield is based on the average historic dividend yield for the 10 years before the valuation date.*

39. Finance costs

Rm	**2021**	**2020**
Interest expense:		
– interest paid on policyholder claims and supplier balances	**83**	79
– interest on lease liabilities at amortised cost	**30**	22
– interest on financial liabilities at amortised cost	**151**	151
Total finance costs	**264**	252

40. Fair value adjustment to financial liabilities

Rm	**2021**	**2020**
Fair value adjustment:		
– on financial liabilities	**409**	499
– on repurchase agreements liabilities	**223**	343
– on collateral deposits payable	**65**	347
Total fair value adjustment to financial liabilities	**697**	1 189

41. Corporate transactions

41.1 Disposal groups classified as held for sale

Refer note 26 for disposal groups classified as held for sale.

41.2 Acquisition of non-controlling interest in Liberty Kenya Holdings PLC

Effective 1 October 2021, Liberty Holdings Limited, acquired an additional non-controlling interest of 15.8% in Liberty Kenya Holdings PLC resulting in an overall controlling interest of 73,5% (2020: 57,7%). A cash consideration of R120 million was paid for the share of the net asset value of R163 million. This acquisition was accounted for as a transaction between owners.

41.3 Disposal/dissolution of interest in group subsidiaries

The group disposed/dissolved of its shareholding in various group subsidiaries in South Africa during the year, resulting in a loss of R2 million to the group. The combined impact of these transactions had an insignificant impact on the group's results.

41.4 Acquisition of business operations of i3 Actuaries Proprietary Limited

Mentenova Consultants and Actuaries Proprietary Limited, a wholly owned subsidiary of Liberty Holdings Limited, acquired the business operations of i3 Actuaries Proprietary Limited for R10 million effective 1 July 2021.

The assets and liabilities acquired were as follows:

Rm	2021
Intangible assets	10
Deferred tax liabilities	(3)
Net assets and liabilities acquired	7
Purchase consideration	10
Goodwill arising on acquisition	**3**

The goodwill was impaired in full during the current year.

42. Taxation

42.1 Sources of taxation

Rm	2021	2020
South African normal taxation	**429**	(266)
Current year taxation	1 377	735
Under provision prior year current taxation	37	1
Current year deferred taxation	(973)	(1 006)
(Over)/underprovision prior year deferred taxation	(12)	4
Foreign normal taxation	**60**	92
Current year taxation	65	86
Current deferred taxation	(5)	6
South African capital gains taxation	**1 412**	453
Current year taxation	614	287
Deferred taxation	798	166
South African and foreign withholding taxation	**135**	126
Total taxation	**2 036**	405
Charged through profit or loss	2 070	403
Charged through other comprehensive income	(34)	2

42. Taxation (continued)

42.2 Taxation rate reconciliation

Rm	CIT[1]	CGT[3][4]	Total
2021			
Taxation per profit or loss	616	1 454	2 070
Taxation specific to policyholder tax funds[2]	(300)	(1 280)	(1 580)
Shareholder taxation	316	174	490
Profit before taxation per statement of comprehensive income	1 336	861	2 197
Preference dividends[5]	1 326		1 326
Adjustment for revenue related to policyholder taxation	(1 580)		(1 580)
Total	1 082	861	1 943

%	CIT	CGT
Effective rate of shareholder taxation	29,2	20,2
Adjustments due to:		
Income exempt from normal taxation and other non-taxable amounts[6]	13,7	
Accounting for property partnerships	6,2	
Non-tax deductible expenses:		
Provisions and non deductible expenses	(17,6)	
The effect of foreign income and withholding taxes	(1,6)	
Overprovision of taxes in respect of prior years	(1,0)	
Tax losses not subject to deferred tax	1,3	
Special allowances and inclusions	(2,2)	
Amounts excluded from capital gains tax		2,2
Standard rate of South African taxation	28,0	22,4

(1) *CIT represents corporate income tax.*

(2) *Policyholder taxation funds and the risk policy fund are separate taxation persons which have differing taxation rules applied in the South African taxation legislation. There are three separate policyholder funds defined as untaxed, individual and company. As these funds and related taxes are in essence direct taxes against investments held on behalf of policyholders (not shareholders), it is not considered necessary to reconcile effective rates by fund.*

(3) *CGT represents capital gains taxation.*

(4) *CGT arising on the possible disposal of subsidiaries or business units will only be provided for when a firm intention to sell has been mandated by the directors of the holding company.*

(5) *Preference dividends relating to the bancassurance profit share, are not deductible for taxation purposes.*

(6) *Relates mainly to dividends received.*

42. Taxation (continued)

42.2 Taxation rate reconciliation (continued)

Rm	CIT[1]	CGT[3][4]	Total
2020			
Taxation per profit or loss	(72)	475	403
Taxation specific to policyholder tax funds[2]	(113)	(228)	(341)
Shareholder taxation	(185)	247	62
Profit before taxation per statement of comprehensive income	(4 478)	2 259	(2 219)
Preference dividends[5]	1 472		1 472
Adjustment for revenue related to policyholder taxation	(341)		(341)
Total	(3 347)	2 259	(1 088)

%	CIT	CGT
Effective rate of shareholder taxation	5,5	10,9
Adjustments due to:		
Income exempt from normal taxation[6]	(12,0)	
Non-tax deductible expenses:		
Provisions and non-deductible expenses	29,9	
Impairments and non-deductible loan write-offs	0,2	
The effect of foreign income and withholding taxes	(0,3)	
Overprovision of taxes in respect of prior years	0,9	
Tax losses and special transfers	(2,4)	(0,1)
Special allowances and inclusions	6,2	
Amounts disregarded from capital gains tax		11,6
Standard rate of South African taxation	28,0	22,4

(1) *CIT represents corporate income tax.*

(2) *Policyholder taxation funds and the risk policy fund are separate taxation persons which have differing taxation rules applied in the South African taxation legislation. There are three separate policyholder funds defined as untaxed, individual and company. As these funds and related taxes are in essence direct taxes against investments held on behalf of policyholders (not shareholders), it is not considered necessary to reconcile effective rates by fund.*

(3) *CGT represents capital gains taxation. The CGT rate applicable to shareholders was 22,4% for 2020.*

(4) *CGT arising on the possible disposal of subsidiaries or business units will only be provided for when a firm intention to sell has been mandated by the directors of the holding company.*

(5) *Preference dividends relating to the bancassurance profit share, are not deductible for taxation purposes.*

(6) *Relates mainly to dividends received.*

All significant transactions that are accounted for in other comprehensive income (OCI) for both 2021 and 2020 attracted tax at the standard tax rates with the exception of the foreign currency translation reserve which does not attract taxation as it emerges on consolidation of foreign subsidiaries.

43. Cash flow statement notes

43.1 Cash utilised by operations

Reconciliation of total earnings to cash utilised by operations

Rm	2021	2020
Total earnings	127	(2 622)
Adjustments for:		
Interest income on financial assets using the effective interest rate method	(1 541)	(1 648)
Finance costs	264	252
Taxation	2 070	403
Net fund outflows after service fees on policyholder investment contracts	(695)	(5 159)
Net inflows from third-party financial liabilities arising on consolidation of mutual funds	2 077	1 650
Distributions to third-party financial liabilities arising on consolidation of mutual funds	(1 182)	(1 391)
Service fee income deferred on new business	78	66
Deferred acquisition costs on new business	(292)	(310)
	906	(8 759)
Adjustments for non-cash items:		
Policyholder asset and liability transfers	40 201	7 542
Net movement on short-term insurance liabilities net of reinsurance	52	(4)
Amortisation of deferred acquisition costs	298	316
Amortisation of deferred revenue liability	(53)	(51)
Amortisation of intangible assets	90	109
Impairment of intangible assets	162	174
Depreciation of equipment	208	306
Depreciation of right-of-use assets	104	88
Loss on retirement of intangible asset	11	
Loss on termination/cancellation of right-of-use asset	3	2
Loss/(profit) on disposal of subsidiaries excluding transaction costs (net of FCTR recycled through profit and loss) (refer note 26.2 and note 41.3)	3	(14)
Movement on defined benefit pension fund surplus in total earnings	2	4
Retained income of joint ventures	8	(6)
Retained income from associates		1
Share-based payment expenses	121	108
Fair value adjustments on financial liabilities	697	1 189
Fair value adjustments to assets held at fair value through profit and loss	(64 208)	(18 847)
Remeasurement of disposal groups held for sale		(35)
Operating leases – accrued income adjustment	52	232
Fair value adjustments on third-party mutual fund interests	10 334	4 488
Income attributable to non-controlling preference shareholders in subsidiaries	1 266	1 405
	(9 743)	(11 752)
Working capital changes:	(144)	453
Prepayments, insurance and other receivables	341	(1 364)
Insurance and other payables	(485)	1 817
Cash utilised by operations	(9 887)	(11 299)

43.2 Distributions paid

Rm	2021	2020
Ordinary and preference share dividends as per statement of changes in equity	(2)	(1 201)
Dividends and redemptions received on preference shares held in relation to BEE transaction		17
Distributions paid to non-controlling interests in subsidiaries[1]	(1 590)	(1 562)
Total distributions paid	(1 592)	(2 746)

[1] *Including preference share dividends in relation to Standard Bank bancassurance business agreement.*

43. Cash flow statement notes (continued)

43.3 Taxation paid

Rm	2021	2020
Taxation payable at the beginning of the year	(210)	(239)
Taxation attributable	(2 228)	(1 235)
Disposal group assets reclassified as held for use		21
Taxation payable at the end of the year	680	210
Total taxation paid	(1 758)	(1 243)

44. Related party disclosures

Liberty Holdings Limited and its subsidiaries is referred to as 'Liberty' or the 'group'; Liberty Holdings Limited is referred to as the 'company'; Standard Bank Group Limited and its subsidiaries (excluding Liberty) is referred to as 'Standard Bank'.

Refer to Appendix D for the complete list of related parties. Where relevant, amounts are excluding value added taxation.

A. Key management personnel

Key management personnel have been defined as Standard Bank Group Limited directors and executive committee members and Liberty Holdings Limited directors and executive committee members (with further details in the remuneration section of this note). To the extent that specific transactions have occurred between the group and these related parties (as defined in IAS 24) the details are included in the aggregate disclosure contained below under key management and where significant full details of all relationships and terms of the transaction are provided.

A.1 Liberty Holdings Limited directors', Liberty Group Limited directors' and group executive committee members' aggregate compensation paid by the group or on behalf of the group for services rendered to Liberty Holdings and its subsidiaries:

R'000	2021	2020
Fixed remuneration	66 806	64 211
Cash portion of package	57 323	54 553
Other benefits	2 088	1 931
Retirement contributions	7 395	7 727
Variable remuneration awards[1]	78 720	29 254
Cash bonus	59 147	23 972
Deferred bonus	19 573	5 282
Long-term awards	82 250	111 100
Performance reward plan[2]	76 750	103 500
Value of REIT restricted shares granted	5 500	7 600
Non-executive directors' fees	21 559	18 211
Total	249 335	222 776

[1] *In order to align incentive payments with the performance period to which they relate, the above variable remuneration relates to the year under review irrespective of when payment is made.*

[2] *The awards are fully subject to vesting conditions and performance conditions which were approved by the remuneration committee in February 2022 and February 2021 in order to align to the performance periods of 2021 and 2020 respectively. Conditions include a minimum threshold to achieve any vesting target and a stretch target, with interpolation between targets.*

44. Related party disclosures (continued)

A. Key management personnel (continued)

A.2 Directors' remuneration (single figure disclosure)

Directors (R'000)	Executive directors of LHL and LGL	Non-executive directors of LHL and LGL	Committee fees	Ad-hoc fees	Directors of STANLIB Limited	Directors of Liberty Two Degrees Limited	Total Liberty group	Other Standard Bank group[1]	Total remuneration
2021									
JH Maree[2] (chairman)		3 157					3 157	2 221	5 378
YGH Suleman (lead independent director)		963	997	765			2 725		2 725
DC Munro (chief executive officer)	49 391						49 391		49 391
Y Maharaj (group financial director)	23 192						23 192		23 192
N Criticos		387	418	333	195	165	1 498		1 498
LN Hartnady		387		252			639		639
MW Hlahla (resigned 25 March 2021)		96	61	28	49		234		234
NY Khan		387	1 037	306			1 730		1 730
P Mhlanga		387		252			639		639
SP Ridley		387	941	166			1 494		1 494
CL Roskruge		387	597	223			1 207		1 207
T Skweyiya		387	258	684	195		1 524		1 524
JH Sutcliffe[3]		3 807		738			4 545		4 545
SK Tshabalala[4]								28 556	28 556
H Walker		387	847	738	195		2 167		2 167
Total	72 583	11 119	5 156	4 485	634	165	94 142	30 777	124 919

[1] *Other Standard Bank group is defined as Standard Bank Group Limited and its subsidiaries excluding Liberty and is paid by Standard Bank Group.*
[2] *The chairman of the board received a composite fee in lieu of committee fees for his services as a director of Liberty Holdings Limited and Liberty Group Limited.*
[3] *Mr JH Sutcliffe is an international director and received a composite fee of £160 000 as a member of the board, committees, subsidiary boards and chairman of a committee. The 2021 rand equivalent of director's foreign currency fees paid is R3 806 600. He also received fees of R738 000 for additional adhoc meetings held during 2021.*
[4] *Mr SK Tshabalala, a non-executive director of Liberty, as CEO of Standard Bank group was a full time employee of the Standard Bank group and therefore did not receive director's fees or other remuneration from Liberty.*

44. Related party disclosures (continued)

A. Key management personnel (continued)

A.2 Directors' remuneration (single figure disclosure) (continued)

Directors[1] (R'000)	Executive directors of LHL and LGL	Non-executive directors of LHL and LGL	Committee fees	Ad-hoc fees	Directors of STANLIB Limited	Directors of Liberty Two Degrees Limited	Total Liberty group	Other Standard Bank Group[2]	Total remuneration
2020									
JH Maree[3] (chairman)		3 065					3 065	1 929	4 994
YGH Suleman (appointed lead independent director 14 May 2020)		725	1 041	133			1 899		1 899
AWB Band (lead independent director) (resigned 13 May 2020)		351	257	27		372	1 007		1 007
N Criticos		375	406	54	190		1 025		1 025
AP Cunningham[4] (resigned 13 May 2020)		1 045		54			1 099		1 099
MW Hlahla		375	201	27	190		793		793
N Khan		375	865	54			1 294		1 294
Y Maharaj (group financial director)	7 079						7 079		7 079
DC Munro (chief executive officer)	11 675						11 675		11 675
SP Ridley		375	722	54			1 151		1 151
CL Roskruge Cele		375	462	27			864		864
SP Sibisi (resigned 13 May 2020)		141	235	27			403		403
T Skweyiya		375	250	80	190		895		895
JH Sutcliffe[5]		3 289		106			3 395		3 395
SK Tshabalala[6]								24 049	24 049
H Walker		375	676	80	190		1 321		1 321
Total	18 754	11 241	5 115	723	760	372	36 965	25 978	62 943

[1] *Ms LN Hartnady and Mr P Mhlanga were appointed to the board of directors on 26 November 2020 and did not receive any directors fees in 2020.*
[2] *Other Standard Bank Group is defined as Standard Bank Group Limited and its subsidiaries excluding Liberty and is paid by Standard Bank Group.*
[3] *The chairman of the board received a composite fee in lieu of committee fees for his services as a director of Liberty Holdings Limited and Liberty Group Limited.*
[4] *Mr AP Cunningham is an international director and received a composite fee of £55 013 as a member of the board, committees and subsidiary boards. 2020 rand equivalent of director's foreign currency fees paid is R1 099 226.*
[5] *Mr JH Sutcliffe is an international director and received a composite fee of £157 300 as a member of the board, committees, subsidiary boards and chairman of a committee. 2020 rand equivalent of director's foreign currency fees paid is R3 394 929.*
[6] *Mr SK Tshabalala, a non-executive director of Liberty, as CEO of Standard Bank Group was a full time employee of the Standard Bank Group and therefore did not receive director's fees or other remuneration from Liberty.*

A.3 Executive director's and prescribed officers' remuneration

Remuneration, including incentives, is calculated *pro rata* to the period served as a prescribed officer. The presentation of the remuneration components below reflect the award values in relation to the performance period to which they relate. Single figure disclosure is in accordance with King IV. Additional disclosure is provided for purposes of completeness and comparability with information provided in previous periods. Not all components are immediately settled and are linked to the ordinary share price of Standard Bank Group Limited (2020: Liberty Holdings Limited) as well as being contingent on performance and service periods.

44. Related party disclosures (continued)

A. Key management personnel (continued)

A.3 Executive director's and prescribed officers' remuneration (continued)

	2021		2020	
R'000	DC Munro	Y Maharaj	DC Munro	Y Maharaj
Single figure disclosure				
Fixed remuneration[1]	8 691	5 114	8 335	5 000
Cash portion of package	7 758	4 426	7 440	4 335
Other benefits	203	95	195	85
Retirement contributions	730	593	700	580
Variable remuneration awards[2],[3]	9 622	4 927	2 167	1 425
Cash	6 623	3 749	1 817	1 240
Restricted share plan	2 999	1 178	350	185
Long-term awards	31 078	13 151	1 173	654
Equity Growth Scheme[4],[5]	19 407	7 257	260	43
Restricted share plan[4],[5]	1 944	1 100	337	242
Performance reward plan[4]	9 727	4 794		
Dividends			576	369
Total single figure remuneration	49 391	23 192	11 675	7 079
Additional disclosure				
Fixed remuneration[1]	8 691	5 114	8 335	5 000
Cash portion of package	7 758	4 426	7 440	4 335
Other benefits	203	95	195	85
Retirement contributions	730	593	700	580
Variable remuneration awards[2],[3]	9 622	4 927	2 167	1 425
Cash	6 623	3 749	1 817	1 240
Restricted share plan	2 999	1 178	350	185
Long-term awards	11 000	6 250	15 500	7 500
Performance reward plan[6]	11 000	6 250	15 500	7 500
Total remuneration	29 313	16 291	26 002	13 925
Accrued and settled	15 314	8 863	10 152	6 240
Deferred in terms of short-term incentives policy[2]	2 999	1 178	350	185
Deferred in terms of long-term incentives policy[6]	11 000	6 250	15 500	7 500

[1] *Fixed remuneration includes all guaranteed amounts and value of benefits granted only conditional to services rendered to Liberty. Generally fixed remuneration is adjusted annually for inflation and market conditions effective 1 April each year.*

[2] *Variable awards are performance based and referenced to the guaranteed package in the month of the award being granted. Deferred portions of awards are allocations of restricted shares under the conditions of the restricted share deferred bonus scheme.*

[3] *Short-term incentives were approved based on the group results for the 2021 financial year and payable in the 2022 financial year. Incentives are calculated as a percentage of total guaranteed package as at 31 December 2021. Comparatives have been calculated on a similar basis. As Liberty Holdings Limited will be delisted by the time that the new award is issued, this award will be granted in terms of the Standard Bank Deferred Bonus Scheme.*

[4] *Under a shareholder approved scheme of arrangement, Standard Bank Group Limited (SBG) on the 28 February 2022 acquired the minority shareholding in Liberty. Liberty was delisted from the JSE on 1 March 2022 and is now a 100% held subsidiary of SBG. As part of the scheme of arrangement SBG offered Messrs Munro and Maharaj (consistent with other applicable employees) a transition arrangement which consisted of components of early vesting of a portion of unvested Liberty equity settled awards (the offer also specified specific non-performance cancellations on certain awards) and transfers of the balance of the unvested awards to similar schemes that are referenced to the SBG ordinary share. These arrangements were undertaken at values consistent with the offer that SBG made to the Liberty minority shareholders (R25,50 in cash, plus half a SBG share for every Liberty share). Messrs Munro and Maharaj accepted the offer on 17 November 2021. The single figure disclosure includes the value of the early vestings at the scheme of arrangement implementation date (28 February 2022). 50% of this value will be settled in cash during March 2022, while the remaining 50% is deferred for one year (accruing interest at 6% p.a.) and will be settled on 1 March 2023 (conditional on Messrs Munro and Maharaj remaining in the employment of SBG group).*

[5] *Equity Growth Scheme 2020: The second tranche of the 2017 and first tranche of the 2018 Equity Growth Scheme award were assessed against the financial performance of 2020. A 20% partial vesting was achieved relating to the 2017 award and 25% partial vesting was achieved relating to the 2018 award.*

Restricted Share Plan (LTIP) 2020: The third tranche of the 2016 LTIP was forfeited due to the performance condition not being met. The second tranche of the 2017 and first tranche of the 2018 LTIP award were assessed against the financial performance of 2020. A 20% partial vesting was achieved relating to the 2017 award and 25% partial vesting was achieved relating to the 2018 award.

[6] *The awards are fully subject to vesting conditions and performance conditions which were approved by the remuneration committee in February 2022 and 2021 in order to align to the performance periods of 2021 and 2020. Conditions include a minimum threshold to achieve any vesting a target and a stretch target, with interpolation between targets. As Liberty Holdings Limited will be delisted by the time that the new award is issued, this award will be granted in terms of the Standard Bank Performance Reward Plan.*

44. Related party disclosures (continued)

A. Key management personnel (continued)

A.4 Entities significantly influenced or controlled by key management

i. Aggregate details of insurance, annuity and investment transactions between Liberty Holdings Limited, any subsidiary, associate or joint venture of Liberty Holdings Limited and key management personnel, their families (as defined per IAS 24) and entities significantly influenced or controlled by key management:

Insurance products	Aggregate insured cover		Premiums received	
R'000	2021	2020	2021	2020
Life	173 411	153 781	4 057	1 565
Morbidity	86 190	89 484	(included in life premiums)	

Investment products	Fund value		Premiums received		Claims and withdrawals		Investment return credited net of charges		Appointments and resignations	
R'000	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Investment products	47 682	66 508	3 741	874	(7 754)	(971)	7 357	3 730	(22 170)	1 133

STANLIB mutual funds	Fund value		New investments		Appointments and resignations		Redemptions		Fair value adjustments	
R'000	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
STANLIB mutual funds	168 409	160 236	22 068	84 020	(272)	(3 953)	(14 049)	(9 632)	427	8 765

A.5 Post-employment benefit plans

Refer to note 24.

B. Holding company – Standard Bank

B.1 Standard Bank balances at the end of the year

	Fair value	
Rm	2021	2020
Equity instruments[2]	1 863	1 834
Debt instruments[3]	16 312	15 538
Cash and cash equivalents	7 776	6 337
Collateral deposits receivable	487	1 083
Collateral deposits payable	(1 538)	(2 256)
Derivative assets[1]	3 013	4 852
Derivatives liabilities[1]	(1 815)	(2 910)
L2D loan funding balance owed to Standard Bank	(1 267)	(1 108)

[1] *Due to netting agreements in place with Standard Bank Group Limited, the group's exposure is Limited to the net asset/liability value.*
[2] *Percentage of total issued ordinary shares 0,84% (2020: 0,91%).*
[3] *Includes sale and repurchase of debt instruments.*

44. Related party disclosures (continued)

B. Holding company – Standard Bank (continued)

B.2 Standard Bank transactions during the year

Rm	Fair value 2021	Fair value 2020
Interest earned on bank accounts	94	114
Bank charges	(65)	(58)
Finance costs related to sale and repurchase of debt instruments transactions	(101)	(80)
Information technology outsourcing arrangement fees charged	(32)	(31)
Software maintenance and support services	26	18
System licence and support	(4)	(5)
Investment properties - rental income	88	92
Premiums paid for Standard Bank insurance programme	(48)	(36)
Asset management fees paid to STANLIB Asset Management Limited by The Standard Bank Group Retirement Fund	8	7
Health risk product premium income received	146	137
Commissions paid to Standard Bank for insurance policies sold through the bank's various distribution channels	(984)	(791)
Interest paid on L2D loan funding balance	(77)	(89)
Custody fees for the safe keeping of custody records for investment assets	(1)	(2)
Administration fees paid for asset administration services provided by the Global Market Division	(9)	(10)

B.3 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 2021 amounted to R9 405 million (2020: R6 159 million). In terms of the agreements, Liberty's group subsidiaries pay profit shares to various Standard Bank operations. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. The total combined net profit share accrued as payable to the Standard Bank group for the year to 31 December 2021 is R1 299 million (2020: R1 433 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.

A binder agreement was entered into with Standard Bank effective from 31 December 2012. The binder agreement is associated with the administration of policies sold under the bancassurance business agreement, and shall remain in force for an indefinite period with a 90-day notice period for termination. Fees payable accrued for the year to 31 December 2021 are R366 million (2020: R290 million).

In December 2013, Liberty Group Limited, a 100% held subsidiary of Liberty, issued 5000 cumulative, participating, non-controlling redeemable preference shares for a total value of R5 million to The Standard Bank of South Africa Limited in order to facilitate the payment of profit shares under the bancassurance business agreement.

C. Transactions with related entities

Refer to note 46 for related party relationships in respect of the 2004 BEE transaction.

C.1 Lease payments

STANLIB Limited, as a lessee, paid an amount of R33 million (2020: R39 million) as an operating lease expense for rental of its premises in the Melrose Arch precinct in Johannesburg. Liberty PropCo Proprietary Limited together with L2D hold a 25% undivided share in the Melrose Arch precinct.

C.2 JHI Retail Proprietary Limited

Property management service net fees paid by Liberty to JHI Retail Proprietary Limited, a joint venture, in 2021 amounted to R69 million (2020: R62 million). Salary and manager recharge expenses paid were R64 million (2020: R57 million).

C.3 Liberty Kenya Holdings PLC (LKHL) – short-term insurance

LKHL insures various risks of Stanbic Holdings PLC. Premiums received and claims paid are R84 million (2020: R97 million) and R39 million (2020: R55 million) respectively, for the year ended 31 December 2021.

C.4 Melville Douglas Investment Management Proprietary Limited

Certain of the group's assets totalling R494 million (2020: R420 million) are managed by Melville Douglas Investment Management Proprietary Limited, a subsidiary of Standard Bank. Fees charged are R2 million (2020: R2 million) for the year.

C.5 Standard Insurance Limited

During 2021, Liberty recovered costs of R1 million (2020: R1 million) in support of sale of short-term insurance. Brand usage fees and leads commission for the year ended 2021 totalled R2 million (2020: R2 million) and R1 million (2020: R1 million) respectively.

C.6 MobiLife Financial Services Proprietary Limited

Liberty Holdings Limited and Standard Bank Group Limited hold a shareholding of 24,5% and 24,5% respectively in MobiLife Financial Services Proprietary Limited (MobiLife). MobiLife developed the MobiLife policy administration system that is used by Standard Bank Group Limited and Frank Financial Services Proprietary Limited (a wholly owned subsidiary of Liberty Group Limited).

45. Commitments

Rm	2021	2020
Equipment and internally generated computer software	362	370
Under contracts	20	12
Authorised by the directors but not contracted	342	358
Properties	1 215	1 322
Under contracts	594	582
Authorised by the directors but not contracted	621	740
45.1 Committed capital		
Committed capital[1]	664	884
Total commitments	2 241	2 576

[1] *Liberty has committed capital to certain infrastructure and development funds. The committed funds are drawn down when required.*

The above 2021 capital commitments in respect of properties will be financed by available bank facilities, existing cash resources, internally generated funds, R54 million (31 Dec 2020: R92 million) from non-controlling interests in unincorporated property partnerships and R115 million (31 Dec 2020: R139 million) from non controlling interest in Liberty Two Degrees.

Other commitments

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

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

46. Black Economic Empowerment (BEE) transaction

Liberty Holdings Limited's 100% held subsidiary, Liberty Group Limited, entered into a series of transactions during 2004 whereby an investment in aggregate of R1 251 million was made in cumulative redeemable preference shares. The proceeds of this were used by the BEE entities to purchase Liberty Group Limited shares. On 1 December 2008, in terms of a section 311 transaction to remove Liberty Holdings' control structure, each BEE entity accepted an exchange of Liberty Holdings Limited ordinary shares for Liberty Group Limited shares on a one-for-one basis.

		Number of Liberty shares		Remaining amounts invested	
		2021	2020	2021	2020
BEE entity	Beneficiary	'000	'000	Rm	Rm
Lexshell 623 Investments (Pty) Ltd	The Liberty Community Trust[1]	5 159	5 159	64	64
Total		5 159	5 159	64	64

[1] *Registered as Katleho Community Trust with a subsequent name change in 2014 to the Liberty Community Trust.*

The cumulative redeemable preference shares attract dividends at 67% of Standard Bank's prime lending rate. The preference dividends are payable on each date the company (which has issued the preference shares) receives an ordinary dividend from Liberty Holdings Limited.

The preference shares do not meet the definition of a financial asset in terms of International Financial Reporting Standards and therefore the investment value of the preference shares has reduced group equity and is stated in the analysis of group equity as a negative empowerment reserve. Receipt of preference share redemptions and dividends will be credited directly to reserves.

For the purposes of earnings per share calculations, the weighted average number of ordinary shares in issue is reduced by the number of Liberty shares held by the empowerment subsidiaries directly funded by the proceeds received from the preference shares. In accordance with interpretations of International Financial Reporting Standards, the reduction of the weighted average number of shares will reduce to the extent that the preference shares are redeemed or to the extent any preference shares are sold to an external party without recourse.

With effect from 1 January 2015 the trading restrictions on the underlying Liberty Holdings shares securing the cumulative redeemable preference shares were lifted. If however, part or all these shares are traded, any related outstanding preference share liability would need to be settled from the proceeds.

47. Details of non-wholly owned subsidiaries that have significant non-controlling interests

47.1 Summary

Rm	Notes	Accumulated non-controlling interests 2021	2020
Subsidiaries	47.2	3 063	3 356
Unincorporated property partnerships	47.3	3 657	3 628
Total non-controlling interests		6 720	6 984

47.2 Subsidiaries

Name of subsidiary	Principal place of business	Percentage of ownership interest held by non-controlling interest % 2021	2020	Profit/(loss) allocated to non-controlling interest Rm 2021	2020	Accumulated non-controlling interests Rm 2021	2020
Liberty Kenya Holdings PLC	Kenya	26,5	42,3	12	53	323	459
Liberty Two Degrees (REIT)	South Africa	39,5	40,6	101	(617)	2 627	2 805
Aggregate insignificant subsidiaries				10	8	113	92
Total				123	(556)	3 063	3 356

All the above entities have a 31 December year end.

47.3 Unincorporated property partnerships

Name of property partnership	Location	Percentage of ownership interest held by non-controlling interest % 2021	2020	Profit/(loss) allocated to non-controlling interest Rm 2021	2020	Accumulated non-controlling interests Rm 2021	2020
Sandton City	South Africa	25	25	208	(300)	3 125	3 122
Sandton Convention Centre	South Africa	25	25	(5)	(93)	50	48
Liberty Hotels[1]	South Africa	25	25	17	(80)	314	296
Melomed Hospital[2]	South Africa	30	30	18	20	168	162
Total				238	(453)	3 657	3 628

[1] *Liberty Hotels consist of Sandton Sun and Towers and Garden Court Sandton City.*

[2] *Melomed Hospital is part of the John Ross Eco Estate development.*

47. Details of non-wholly owned subsidiaries that have significant non-controlling interests (continued)

47.4 Summarised financial information – non-controlling interests' share

47.4.1 Subsidiaries

	Liberty Two Degrees (REIT)		Liberty Kenya Holdings PLC	
Rm	2021	2020	2021	2020
Statement of financial position				
Non-current assets	3 346	3 450	1 051	1 784
Current assets	143	173	516	427
Non-current liabilities	(466)	(707)	(909)	(1 593)
Current liabilities	(396)	(111)	(335)	(159)
Comprehensive income				
Total revenue[1]	310	(409)	572	652
Total comprehensive income/(loss)	101	(617)	12	53

47.4.2 Unincorporated property partnerships

	Melomed Hospital		Sandton City		Sandton Convention Centre		Liberty Hotels	
Rm	2021	2020	2021	2020	2021	2020	2021	2020
Statement of financial position								
Non-current assets	169	162	3 125	3 121	50	49	289	273
Current assets	1	1	89	98	3	4	27	44
Current liabilities	(1)		(85)	(105)	(5)	(5)	(20)	(21)
Loans to group entities	(1)	(1)	(4)	8	2		18	
Comprehensive income								
Total revenue[1]	20	21	311	(162)	3	(87)	25	(83)
Total comprehensive income/(loss)	18	20	208	(300)	(5)	(93)	17	(80)

[1] *Total revenue includes investment gains/(losses), rental income and interest income.*

47.5 Significant restrictions

47.5.1 Liberty Kenya Holdings PLC

Liberty Kenya Holdings PLC owns licensed insurance entities that are regulated and therefore subject to statutory capital requirements set by each jurisdiction's regulators. These require that the entity holds a prescribed minimum capital and dividend distributions from these entities are only available from excess net assets over the required minimum capital.

48. Interests in unconsolidated structured entities

The table below summarises the types of structured entities that the group does not consolidate but in which it holds an interest.

STRUCTURED ENTITY	NATURE OF ASSET	NATURE AND PURPOSE OF ENTITY
Calibre Mortgage Fund (Pty) Ltd*	Senior, secured loan	Special purpose vehicle (SPV) set up by South African Home Loans (Pty) Ltd (SAHL) into which it originates home loans. The SPV is funded by debt provided by Liberty and equity provided by SAHL.
Compass Securitisation (RF) Ltd	Unlisted, rated, asset backed note	Mercantile Bank securitisation vehicles (equipment leases).
Greenhouse Funding 3 (Pty) Ltd	Residential mortgage backed securitisation	A structured entity set up by Nedbank Ltd. It is a securitisation vehicle into which it originates home loans, and into which Liberty can lend on a secured basis. Equity is provided by Nedbank Ltd.
Merchant West Asset Rentals	Listed, rated, asset-backed note	Merchant West securitisation vehicles.
SA Securitisation Programme (RF) Ltd	Listed, rated, asset-backed note	SASFIN securitisation vehicle.
SA Taxi Finance Solutions (Pty) Ltd	Senior, unrated debentures secured by underlying assets	SPV set up by SA Taxi to raise debt funding which it in turn uses to originate taxi loans.
Superdrive Investments (RF) Ltd	Vehicle loan backed assets	An SPV set up by BMW Financial Services South Africa (Pty) Ltd, the main purpose of which is to acquire the rights, title and interest in vehicle instalment sale agreements, pursuant to a securitisation scheme.
Bayport Securitisation	Private Placement, secured loan	Bayport securitisation vehicle.
Capital Harvest (RF) Pty Ltd	Listed, rated, asset-backed note	The Issuer, Capital Harvest Finance SPV (RF), has been established as a special purpose funding SPV issuing term notes to investors ranging between 3 years and 5 years in the agricultural sector.
NBC Finance (RF) Pty Ltd	Pension backed lending	NBC Pension Backed Lending (Pty) Ltd provides home loans to members of registered retirement funds for their primary housing requirements including purchase, extension and alteration. The members' retirement fund savings are used as the security for the loan with the retirement fund providing a guarantee.
Transflow RF (Pty) Ltd	Asset backed lending	Transaction Capital securitisation vehicle.
The Thekwini Fund series*	Residential mortgage backed securitisations	SAHL securitisation vehicles.
The Thekwini Fund 13 (RF) Ltd		
The Thekwini Fund 14 (RF) Ltd		
The Thekwini Fund 15 (RF) Ltd		
The Thekwini Fund 16 (RF) Ltd		
The Thekwini Fund 17 (RF) Ltd		
Transsec 3 (RF) Ltd	Listed, rated, asset-backed note	SA Taxi securitisation vehicles (taxi loans).
Universal Credit S.A.	Segregated investment fund	Investment fund.
Total		

* Related party entities

South African Home Loans (Pty) Ltd (SAHL) is a joint venture of Standard Bank.

(1) *Carrying values are disclosed in the Statement of Financial Position as a financial investment.*
(2) *Income received comprises interest income and investment gains/(losses).*

The carrying value disclosed represents the maximum loss Liberty would be exposed to, and there are no ongoing capital commitments for any of the above entities at the end of the reporting period.

PRINCIPAL ACTIVITY OF STRUCTURED ENTITY	PRINCIPAL NATURE OF FUNDING	Carrying value[1] Rm 2021	Carrying value[1] Rm 2020	Income received[2] Rm 2021	Income received[2] Rm 2020
SPV set up by SAHL as a funding vehicle into which Liberty can lend on a secured basis.	Liberty as debt provider	3 179	3 096	186	223
Raising funding in the securitisation market to fund equipment leases.	Debt funders in the securitisation market				4
Raising funding in the securitisation market.	Debt funders in the securitisation market				11
Raising funding in the securitisation market to fund vehicles.	Debt funders in the securitisation market	254	315	17	21
Raising funding in the securitisation market.	Debt funders in the securitisation market	237	217	12	14
SPV set up by SA Taxi to raise funding in the securitisation market which in turn uses the funding to originate taxi loans.	Debt funders in the securitisation market	259	347	17	37
Funds of the securitisation scheme are raised directly or indirectly by the issue of debt instruments in order to manage the assets so acquired.	Debt funders in the securitisation market	79	402	14	27
Bayport securitisation vehicle that focuses its unsecured personal loan products at the low- to middle-income segments (using the categories of LSM 5 to 9 as a proxy for identifying its target market).	Liberty as debt provider	124		2	
The SPV raises funding in the securitisation market which in turn uses the funding to originate new loans. The proceeds from these notes will be used to purchase eligible assets from a short-term warehouse facility that was established by Capital Harvest in April 2021 and from the Originator, Capital Harvest (Pty) Ltd.	Debt funders in the securitisation market	300		1	
SPV set up by NBC as a funding vehicle into which Liberty can lend on a secured basis.	Liberty as debt provider.	693		40	
The senior facility agreement is guaranteed by the security SPV where the company issues an indemnity in favour of the security SPV indemnifying it against all claims arising pursuant to the guarantee.	Debt funders in the securitisation market	293		8	
SPV is set up by SAHL to raise funding in the securitisation market which it in turn uses to originate home loans.	Debt funders in the securitisation market				
					11
			49	2	3
		111	110	6	7
		27			
		27		1	
Raising funding in the securitisation market to fund taxi loans.	Debt funders in the securitisation market	25	25	2	2
Investment fund.	Liberty as debt provider			2	16
		5 608	4 561	310	376

49. Contingent liability

As a diverse financial services group operating in various African jurisdictions in ever changing and highly regulated environments, the group has identified certain possible obligations attributable primarily to potential liabilities arising from matters relating to litigation, potential litigation and proceedings relating to customers' claims.

Individually none of these items are material, and in aggregate are less than R400 million (2020: R350 million) before tax. This amount has been recognised as a contingent liability as it will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group.

50. Going concern

The directors have assessed the ongoing impact of the COVID-19 pandemic and related economic impacts on the group as well as on the client segments, industries and regions in which the group operates. There remains a heightened level of uncertainty with the advent of this pandemic which has already given rise to an aggregate excess mortality cost approaching the expected 1-200 year undiversified cost of mortality catastrophes allowed for in the calculation of Liberty Group Limited's (LGL) solvency capital requirements. In response to the classification of the virus as a global pandemic, the group established two crisis committees, namely Business Operations (with a focus on operational aspects) and Rapid Business Response (with a focus on commercial business risks). Both committees report directly to the Group Executive Committee which is the overall crisis management governance body. These committees meet frequently to ensure that all risks are considered and continuously monitored, and that mitigating controls and actions have been put in place to address emerging business risks, as well as address the needs and other considerations related to employees, advisors, customers and other stakeholders.

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

The group's capital management processes are designed to withstand infrequent adverse events such as this pandemic. This is evidenced in the group's solvency position, with LGL, the group's main insurance company, remaining well capitalised with a solvency capital coverage ratio of 1,72 times at 31 December 2021, which is comfortably within the capital coverage target range of 1,5 - 2,0 times. Liberty's risk appetite is set based on three dimensions, being normalised IFRS headline earnings, regulatory capital coverage and economic value at risk. After the establishment of the COVID-19 pandemic reserve which amounted to R3 114 million (pre-taxation and non- controlling interests, net of reinsurance) in 2020, the reassessment on a forward looking prospective basis during 2021 has resulted in an increase in the reserve in 2021 of R2 435 million (pre-taxation and non-controlling interests, net of reinsurance). Liberty remains within risk appetite and risk target on all its risk dimensions at 31 December 2021.

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

51. Events after reporting date

Standard Bank transaction

On 14 July 2021, Liberty Holdings Limited (LHL) and Standard Bank Group Limited (SBG) jointly announced a proposed transaction that would be implemented through a scheme of arrangement (Scheme), pursuant to which SBG will acquire all of the ordinary and preference shares issued by LHL other than the shares already held by SBG. Shareholders of LHL and SBG are referred to the Circular and to the results of the general meeting announcement published on SENS on 13 October 2021. The Scheme was approved by the requisite majority of LHL shareholders (both ordinary and preference at separate meetings) present and entitled to vote thereon. Regarding the preference shares all conditions of the Scheme were met on 2 November 2021 and the preference shares were delisted from the JSE on 23 November 2021 (refer SBG SENS announcement dated 4 November 2021).

All the conditions precedent related to the ordinary shares were met on 7 February 2022. The Scheme was implemented on 28 February 2022, and consequently the delisting of all LHL ordinary shares on the JSE took place on 1 March 2022 (refer SBG SENS announcement dated 7 February 2022). Shortly after the delisting of the LHL ordinary shares, the share incentive scheme participants who had unvested or unimplemented obligations (related to the Liberty Group Restricted Share Plan (long-term plan and deferred plan), the Liberty Performance Reward Plan and the Liberty Equity Growth Scheme) were compensated with either a cash consideration or transferred to similar Standard Bank equity-settled remuneration schemes. The financial consequences to LHL of this compensation to share scheme participants, when compared to the financial impacts of the original LHL awards, is not material.

Pursuant to the transaction, a special distribution of R11,10 per ordinary share was paid on 28 February 2022. This totalled R3 177 million.

This is a non-adjusting post balance sheet event for the year ended 31 December 2021.

Tax changes

On 23 February 2022, as part of the 2022 budget speech, the South African Minister of Finance announced that the corporate income tax rate applicable to companies will be reduced from 28 percent to 27 percent effective for financial years ending on or after 31 March 2023. It is therefore expected that this change would impact the group and company with effect from its 2023 financial year.

This resulted in a reportable non-adjusting event after the reporting date.

There have been no other significant events after the reporting date, being 31 December 2021, to the date of approval of the audited annual financial statements, namely 2 March 2022.

Risk management

for the year ended 31 December 2021

Contents **Page**

1	Enterprise risk management	135
2	Strategic and business risk	144
3	Insurance risk	144
4	Market risk	154
5	Credit risk	164
6	Liquidity risk	168
7	Operational risk	172
8	Business conduct risk	174
9	Compliance and legal risk	175
10	Concentration risk	175
11	Sensitivity analysis	177

Risk management

for the year ended 31 December 2021

Risk categories	Risk governance	
Strategic and business Section 2 **Insurance** Section 3 **Market** Section 4 **Credit** Section 5 **Liquidity** Section 6 **Operational** Section 7 **Business conduct** Section 8 **Compliance and Legal** Section 9	**First line of defence** Business unit management	• Manage day-to-day risk origination and management in accordance with risk policy and strategy • Identify and assess risks and implement management's response • Report and escalate material risks and issues to governance bodies • Track losses and implement remedial actions
	Second line of defence Heads of compliance, risk and actuarial functions and statutory actuaries	• Provide oversight of and challenge to the first line of defence • Propose risk policy and strategy • Champion implementation of risk policy and strategy • Provide assurance to board and regulators
	Third line of defence Independent assurance providers – internal and external audit and other independent service providers	• Provide assurance over effective functioning of the first and second lines of defence functions including independent assessment of the adequacy and effectiveness of the risk management framework

1. Enterprise risk management

1.1 Overview

Liberty has adopted an Enterprise Risk Management (ERM) approach which enables the group to consider the potential impact of risks on stakeholders. Liberty's risk management framework is substantially based on the ERM principles embodied in the Prudential Authority's Solvency Assessment and Management (SAM) framework. An Own Risk and Solvency Assessment (ORSA) report is prepared annually and submitted to the Prudential Authority. The content of the ORSA report is derived from these annual financial statements and various other reports and is approved by the board based on the recommendation of the group risk committee (GRC).

Liberty's risk processes consider both internal and external environments, and their impact on customers, shareholders and other stakeholders. While the top risks for 2021 remain largely unchanged from 2020, the COVID-19 pandemic has in many instances exacerbated the risks faced by Liberty. Each company in the group holds sufficient assets to meet its liabilities to customers and other creditors. In addition, the group holds further assets which form its capital and give additional assurance to customers that the group will be able to meet its obligations, even under the stressed circumstances that arise when risks crystallise.

The impact of the pandemic has already been substantial, with a large number of claims reported, but the effects so far have not been outside the levels envisaged by Liberty's risk management system. The spread of COVID-19 continued during 2021 with many countries experiencing third and fourth waves of infections. South Africa experienced a third wave which was driven by the Delta variant and lasted for longer and had a more devastating impact than the previous two waves. With only a fraction of the South African population being fully vaccinated, there is a risk that the impact of future waves may still be relatively severe, and focus has now shifted from vaccine procurement and logistics to encouraging vaccine hesitant individuals to get vaccinated. The pandemic reserve established in 2020 to cater for the financial impact of the pandemic is regularly reassessed. The longer duration of the third wave resulted in the mortality component of this reserve being depleted and a top up has been required for the fourth and subsequent waves. The size of the fourth wave was significantly smaller than previous waves and represents a good outcome. Refer to 'Key judgements in applying assumptions on application of accounting policies' for further information on the impact of COVID-19.

Risk management (continued)

for the year ended 31 December 2021

1. Enterprise risk management (continued)

1.1 Overview (continued)

The human toll of the crisis has been widespread and virtually all individuals have been affected to some extent. Despite the individual challenges faced and the high levels of work pressure felt, Liberty has continued to manage the challenges and continues to deliver on its commitments to customers. Management continues to focus on regular communication and interacting with heightened levels of empathy.

The sections which follow, set out according to Liberty's risk taxonomy, provide information on Liberty's approach to managing risks as well as the impact of the pandemic on Liberty's risk profile.

Liberty's significant risk categories are strategic and business, insurance, market, credit, liquidity, operational, business conduct and compliance and legal risk.

The group's strategic plans are subject to consideration of the trade-off between risk and reward, taking into account the risk appetite and risk target statements approved by the board.

Systems to quantify insurance, market, credit and liquidity risk are in place. Operational, business conduct and compliance and legal risks are addressed through qualitative assessment and analysis of exposures, incidents and effectiveness of mitigating controls. Information in respect of the management of each of these risk categories follows in sections 2 to 9.

The management of concentration risk is critical across many of the significant risk categories. Information on the key concentration risks follows in section 10.

Section 11 provides information on the sensitivity of IFRS earnings to selected risk events, while section 1.7 (Capital Management) indicates the group's ability to cover its regulatory capital requirements.

The group has formalised processes to ensure that finance and risk matters are considered in the determination of remuneration and incentives.

Liberty's capital requirements, as measured internally and in terms of regulatory requirements, are well covered.

Liberty's risk management system is functioning effectively and the business continues to be managed within risk appetite.

1.2 Risk strategy

Liberty's approach to risk management places consideration of risk as a focal point in business activities. It enables the business to make informed risk-based decisions and manage expected returns by selecting the risks it is willing to assume. Liberty's risk strategy is integrally linked with the business strategy, with risk mitigating actions designed to improve the prospects of achieving the business goals.

Risk strategy

Liberty's risk philosophy is to ensure the sustainable growth of its business, by encouraging profitable risk-taking and ensuring that it operates within risk appetite.

Liberty's risk preferences are classified according to:

- risks that the group actively seeks as a result of being in the business of underwriting and managing risks (i.e. insurance, market, credit and liquidity risks), all of which are viewed as value-enhancing; and
- risks that are not actively sought but arise as a consequence of being in business and will be managed to an acceptable level to protect value (i.e. operational, strategic and business, business conduct and compliance and legal risks).

All other risks are avoided as far as possible.

Business strategy link

Liberty's strategy provides clear direction for management, with detailed objectives being constructed. Risk preferences are considered in the formulation of the strategy, objectives, and in any supporting operational capabilities that are built.

Impacts of decisions taken during the formulation and execution of these objectives are considered against the planned risk profile, and form part of the broader feedback loop of business decision-making (with particular attention paid to the extent that a decision may push the group outside risk appetite).

Surplus risk budget is deployed to liquid, well-diversified market and credit risks offering superior risk-adjusted returns which assist with capital efficiency.

1. Enterprise risk management (continued)

1.3 Risk appetite and risk target

Definition

Risk appetite is defined as the maximum amount of risk that the group is prepared to accept in pursuit of its business objectives. As such, risk appetite defines the group's willingness and capacity to accept high levels of exposure to specific risks or groups of risks.

Liberty's risk management system includes the setting of a risk target range, defined as the amount of risk the group aims to take within which to optimise returns. The risk target range is set at a level within the group risk appetite that allows for the achievement of long-term targeted returns and targeted enterprise value while keeping the possibility of risk appetite breaches at acceptable levels.

Determining risk appetite

The setting of the level of risk appetite is based on stakeholder input and fundamentally driven by the requirement to deliver very high levels of financial security for customers through appropriate maintenance of the group's ongoing solvency. The dual and at times conflicting objectives of creating shareholders' equity and minimising risks are controlled through these limits.

Consideration is also given to the strategic, working capital and regulatory capital requirements of the group.

Management is tasked with conducting Liberty's business at the targeted risk levels to ensure that the planned optimisation of returns is achieved. Insufficient risk taken, where value enhancing opportunities exist, is also considered to be undesirable.

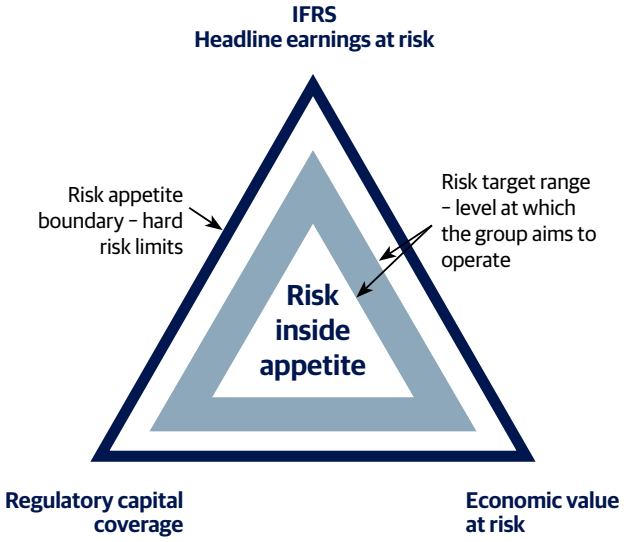
Risk dimensions and measurement

The group's risk appetite statement is regularly reviewed to ensure its appropriateness to business objectives. Risk appetite is measured across the following risk dimensions:

- IFRS headline earnings at risk: This is a measure of the fall in IFRS headline earnings over the next year (normalised for the BEE transaction and for the earnings mismatch arising on consolidation of Liberty Two Degrees Limited) expected in a moderate stress event (i.e. '1 in 10' year event) relative to forecast IFRS headline earnings over the next year.
- Regulatory capital coverage: This is a measure of the ratio of the available regulatory capital of the group to the sum of the regulatory capital requirements across all entities within the group. This minimum multiple is determined using a risk-based approach and is reviewed periodically for its continued appropriateness.
- Economic value at risk: This is an internal risk measure assessing the loss in the economic value of in-force business at a point in time as a result of an extreme stress event (i.e. '1 in 200' year event) expressed as a proportion of the current economic value of the group. On the economic basis, assets and liabilities are measured as the amounts for which they can be exchanged, transferred or settled between knowledgeable willing parties in an arm's length transaction.

Liberty's risk profile is monitored continuously with full bottom up assessments being performed quarterly and reported to management and the board's risk oversight committees. Consideration is given to the risk profile relative to risk limits in determining whether specific management actions are required.

Liberty remains within risk appetite as well as risk target on all dimensions, even after allowing for the impact of COVID-19. The calibration of Liberty's risk models has been reconsidered in light of the pandemic and is still believed satisfactory.



1.4 Risk management framework

Effective application of the ERM framework is achieved through processes and operational requirements which have been translated into a comprehensive series of risk management policies, procedures and guidelines. These reflect the overall commitment to risk management, stipulating the required direction and the parties responsible for implementation. Policies with regulatory requirements for board approval, policies for each of the main risk categories as well as the overarching risk management framework are all approved by the board or one of its sub-committees. Other policies, procedures and guidelines are approved by the appropriate management structure.

1.5 Governance of the risk management system

The board is ultimately accountable for the effective governance of risk management. It is the responsibility of the board to ensure that clearly defined risk management roles and responsibilities for the group chief executive (supported by the executive committee (Exco)), sub-committees and key functions are in place. The board delegates its oversight and management responsibilities in terms of the three lines of defence governance model. This requires operating management (first line) to operate with risk in mind, with risk professionals overseeing all risk types and providing input from the corporate centre (second line) and the third line providing assurance on the adequacy and effectiveness of the ERM framework.

This model is illustrated in the diagram preceding section 1. It essentially gives three independent views of risk and its implementation ensures that risk management is embedded in the culture of Liberty and provides assurance to the board and senior management that risk management is effective.

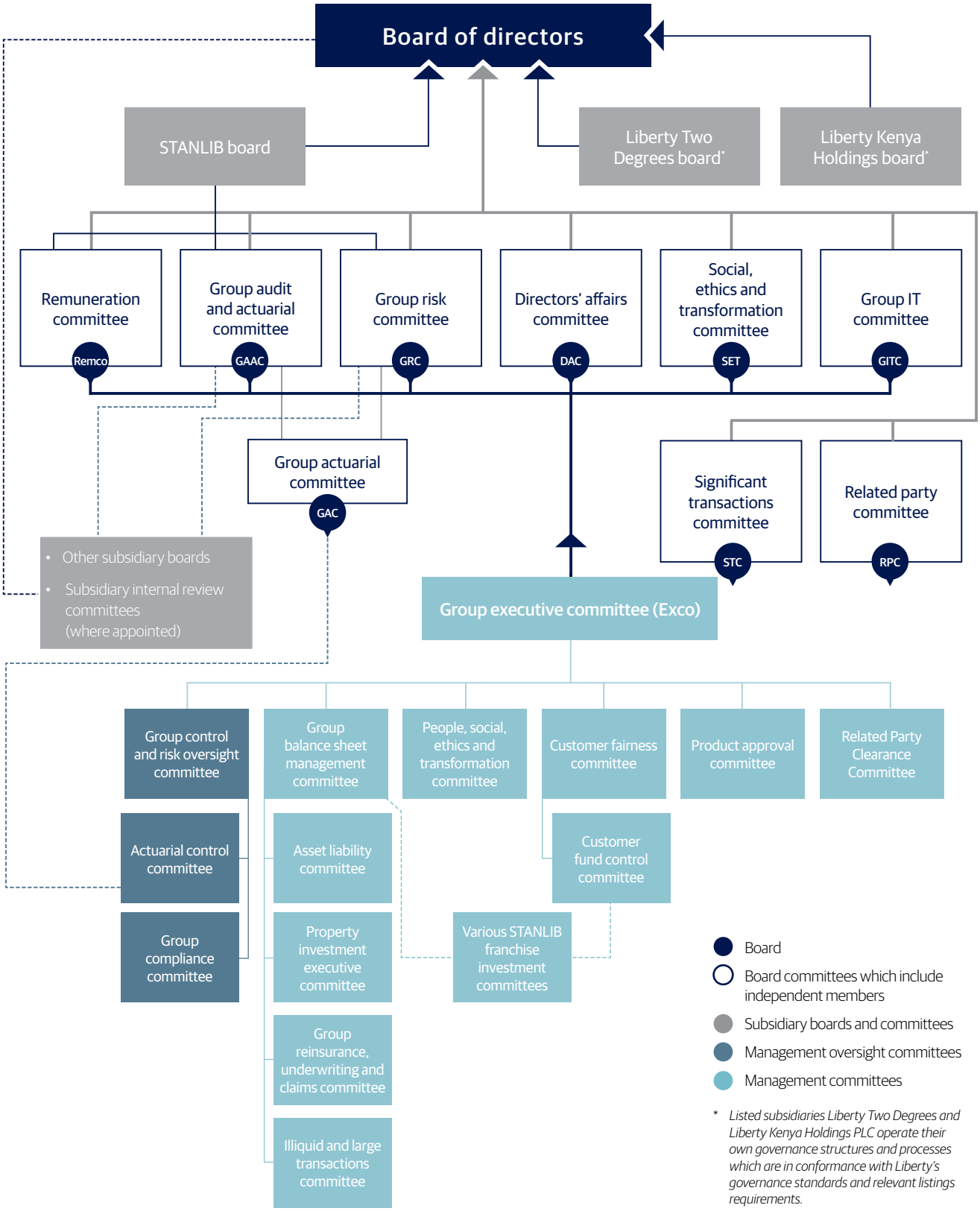
Risk management (continued)

for the year ended 31 December 2021

1. Enterprise risk management (continued)

Governance structures at Liberty

The board applies responsible governance in managing the business within the approved risk appetite through various committees and subsidiary boards. The boards and standing committees depicted below are appointed under the guidance of the group directors' affairs committee.



* *Listed subsidiaries Liberty Two Degrees and Liberty Kenya Holdings PLC operate their own governance structures and processes which are in conformance with Liberty's governance standards and relevant listings requirements.*

1. Enterprise risk management (continued)

1.5 Governance of the risk management system (continued)

The following governance committees are involved in the control of the risk management system:

- The group risk committee (GRC) is responsible for providing the board with independent and objective oversight of risk and capital management across the group, including reviews of Liberty's risk and control philosophy, strategy, frameworks, policies and processes. The GRC is also responsible for reviewing compliance with risk policies and for the overall risk profile of Liberty. Certain members of the GRC are also members of the group remuneration committee (Remco) which ensures that relevant finance and risk matters are considered, explicitly considering whether excessive risks have been taken in deriving the return achieved.
- The group audit and actuarial committee (GAAC) has primary responsibility for risks relating to the production of financial statements and for compliance and legal risks. It also works closely with the GRC to ensure that a comprehensive system of combined assurance is in place.
- The group social, ethics and transformation committee (SET) monitors and provides oversight on "people" risks (such as those that arise from major business-wide change), customer fairness related risks as well as other risks that arise from its mandate.
- The group information technology committee (GITC) monitors and provides oversight on risks related to technology and information assets and processes, including infrastructure, applications, information security (including cyber security), disaster recovery, IT investments and IT projects. The GITC ensures the integration of technology and information risks into the group's risk management system.
- The group Exco is responsible for implementing the risk management system and all risk policies.
- The group control and risk oversight committee (GCROC) and its sub-committees are responsible for maintaining capital and risk policies, methodologies, procedures and plans to ensure adequacy and effectiveness of the risk management system.
- The group balance sheet management committee (GBSMC) is delegated authority by the Exco to manage the group's overall financial position. This committee is also responsible for providing recommendations to the GRC regarding all risk and control related issues that require escalation to the board.

1.6 Understanding Liberty's risks

1.6.1 Risk identification and assessment process

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

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

Other regular risk identification exercises are conducted at an initiative/project, process or product level. These may be based on the BU's approved strategic objectives or on critical processes identified by the group.

Risks identified and assessed within the BUs are aggregated at group level to ensure that the group understands where BUs are focusing their time and attention. The risk function monitors the risk identification and assessment process and reports on risk status and management's response each quarter to the GCROC and GRC.

The aggregated balance sheet's risk profile, which considers both risks identified via the top-down and bottom-up processes, is monitored by the GBSMC and reviewed by the GCROC and GRC with actions driven by management structures.

1.6.2 Stress testing

In support of risk identification, assessment and measurement, comprehensive scenario analysis is undertaken to identify severe but plausible scenarios. A range of scenarios, covering different levels of severity and plausibility, are considered as part of the stress testing system. The scenarios are forward-looking over the same period as the business planning horizon and focus on both macro-economic and insurance-driven events.

Stress testing then assesses the group's sensitivity to these scenarios which:

- alerts management of potential adverse unexpected outcomes related to a variety of risks;
- assesses the group's resilience to adverse events by identifying areas of potential vulnerability e.g. business continuity in the event of a severe pandemic;
- assesses the group's ability to maintain minimum specified levels of capital based on the board approved risk appetite;
- increases understanding of the group's risk profile through a forward-looking assessment of the group's risk exposure under stressed conditions;
- validates assumptions in respect of the group's risk profile and risk appetite;
- ensures adequate focus on the management actions that are appropriate to avoid undue risk; and
- forms an input into the Own Risk and Solvency Assessment (ORSA) as required in terms of the Insurance Act, 2017.

1.6.3 Risk mitigation

Where Liberty accepts a risk within its strategy, it may still want to limit its exposure to an acceptable level via various mitigants such as underwriting, financial controls, hedging and asset allocations.

Once the level of risk that Liberty is willing to take has been set by the board and the risks have been assessed, management is better able to determine the mitigation strategy deemed to be the most effective. The chief risk officer (CRO) considers risks both gross and net of risk mitigation in the oversight of the risk management system.

Mitigants used depend on the risk type. The mitigants are subject to oversight by the second line of defence, and controls are audited by the third line. Risk specific mitigation methods for specific risks are covered in later sections.

Risk management (continued)

for the year ended 31 December 2021

1. Enterprise risk management (continued)

1.6 Understanding Liberty's risks (continued)

1.6.4 Risk response, monitoring and reporting

The monitoring of risk exposures and key controls is inherently part of the ERM process, as is the reporting of emerging and significant risks for each BU and the group as a whole. Where significant breaches are reported, progress made against action plans is monitored.

Risk information is reported quarterly to the GCROC and the GRC to ensure that decision making is based on an understanding of the potential impact on risk. The group's risk exposure relative to risk appetite and risk target on each risk measure is reported to the GBSMC, GCROC and GRC.

If the group is operating outside the risk target range, appropriate actions to return to within the range are considered. If the group is outside of risk appetite, immediate corrective action is taken. Risk response decisions are developed as part of the ERM process and formal accountability is assigned to provide a greater level of assurance to the board.

The progression and impact of the COVID-19 pandemic was actively monitored over 2021. Liberty continued to manage the impact of the pandemic through the Crisis Management Team "CMT" (established in 2020 and comprised of the Exco given the breadth of the crisis).

The CMT has two sub-committees: The Operations and Continuity CMT (chaired by the CRO) and the Business Impact and Rapid Response CMT (chaired by the group's financial director). Regular board engagements kept the board abreast of actions being taken. Liberty's risk management policies facilitated the process to respond to the COVID-19 crisis by providing direction in terms of the high-level principles that needed to be adopted by executive management and the CMT.

1.6.5 Liberty's top risks

The top and emerging risks process is a top-down risk identification and assessment process, which provides the business with another lens with which to identify the risks that could prevent the organisation from achieving its business objectives. Top risks are defined as elevated, material risks expected to materialise within a relatively short time frame and are currently on the minds of the board of directors and executives, while Emerging risks are defined as trends or conditions that could significantly impact the institution's financial strength competitive position or reputation in the long term (three years and more). This process spans all risks faced across the business and may include strategic as well as operational risks.

All the top and emerging risks and their related mitigation actions are overseen by the board and the GRC.

Specific risks	Management actions
A weakening economic and fiscal position and a deterioration in the political economy and social cohesion in South Africa Classification: • Strategic and business risk • Insurance risk • Market risk • Credit risk • Operational risk	Management performs scenario analyses and stress testing to understand implications, management actions required to respond to this risk and opportunities to aid customers through this. Liberty maintains a strong capital position, offers offshore investment alternatives to policyholders and manages its asset/liability matching position within risk limits. Liberty has worked with industry bodies to engage with the South African national government on its responses to this challenge.
Disruption to Liberty's business model and acceleration of technological change as well as not responding fast enough to offer attractive and commercially viable propositions, resulting in a loss of relevance to the customer base. Classification: • Strategic and business risk • Insurance Risk	The COVID-19 crisis provided an opportunity for Liberty to accelerate the execution of strategic initiatives to address this challenge. These initiatives include: • Driving Liberty's strategy to enhance client and advisor experience through a digital engagement platform. • Enhancing Liberty's risk and investment customer propositions in order to operate as a continuum rather than a set of discrete offerings thereby enabling customer lifetime value management.
Poor investment performance relative to customer expectations impacting Liberty's ability to attract and retain customers. Classification: • Strategic and business risk • Business conduct risk	• Liberty continues to enhance investment capabilities, particularly in STANLIB. • Embedding management actions for key investment portfolios that were performing below expectation has resulted in significantly improved performance. • Environmental, social and governance (ESG) considerations continue to be integrated into the investment process.

1. Enterprise risk management (continued)

1.6 Understanding Liberty's risks (continued)

1.6.5 Liberty's top risks (continued)

Specific risks	Management actions
Inadequate cyber security and resilience in the face of an increasing threat environment. Classification: • Operational risk	The remote working environment and the central role of technology in Liberty's future strategy increase cyber risk exposure. However, cyber security safeguards are continually reassessed to proactively strengthen the group's cyber resilience.
The impact of the COVID-19 pandemic on mortality, morbidity, persistency and the wider economy. Classification: • Strategic and business risk • Insurance risk • Market risk • Credit risk • Operational risk	• A pandemic reserve is in place to provide for the expected future impact of the pandemic. • Management actions undertaken include enhancing underwriting processes, repricing certain risk benefits as well as introducing more stringent risk management controls. • People risk is assessed on an ongoing basis to ensure the provision of adequate staff assistance where required.
Corporate and state owned enterprise failures with a resultant negative impact on the Liberty credit book and the Liberty property portfolio. Classification: • Strategic and business risk • Credit risk	• Existing exposures are being monitored and high-risk new exposures are being avoided and actions taken where required. • Enhanced monitoring and reporting on the effects of COVID-19 on issuers of credit instruments and property tenants is in place. • Liberty actively engages with debtors to understand the impact of the deteriorating economic environment, especially given COVID-19, and takes pragmatic steps where possible to ensure the longer term preservation of value.
Illiquid assets concentration risk Classification: • Strategic and business risk • Liquidity risk	• An Illiquid and Large Transactions committee is in place to oversee the management of, and investigate potential solutions to, shareholders' illiquid asset concentrations caused by policyholder disinvestments from the Liberty property portfolio and the Liberty Real Estate Portfolio. Limits on further purchases and disinvestment from non-core assets is underway as a longer-term strategy is developed. While Liberty has sufficient liquidity and market risk capacity to absorb these exposures while remaining within its risk target ranges, the exposures do pose a concentration risk.
Outsourcing and third-party risks Classification: • Operational risk • Compliance and legal risk	• Liberty's strategy involves an increasing reliance on third-party partners, particularly big-tech companies such as Microsoft, Salesforce and Amazon Web Services, and as such Liberty is continuously improving the robustness of its third-party risk management capability. • The third-party risk management approach includes ensuring risks are appropriately managed initially at the formal contracting stage as well as on an ongoing basis through regular reviews. Clear senior management accountability for the management of each contract or partnership is in place to ensure these risks are effectively managed.

Risk management (continued)

for the year ended 31 December 2021

1. Enterprise risk management (continued)

1.6 Understanding Liberty's risks (continued)

1.6.5 Liberty's top risks (continued)

Specific risks	Management actions
Excessive complexity Classification: • Strategic and business risk • Operational risk	• Maintaining strategic simplicity is as important as driving operational simplicity. Management has taken on the mantra of being Obsessed with Simplification and are driving both simplification centered initiatives as well as ensuring that simplicity is a key consideration in all strategic initiatives.
Operational process and financial control risk Classification: • Operational risk	• Liberty is driving digital initiatives to reduce manual processes and improve customer service. • There are a number of initiatives underway to enhance financial controls.
Poor systems stability and availability Classification: • Operational risk	Management is focused on continuously enhancing system stability and availability. There are various initiatives across the IT landscape to progress this goal, including the use of monitoring capabilities that leverage off artificial intelligence tools and cloud storage solutions.
Conduct failures Classification: • Business conduct risk	Records of advice and approaches to advice are being continuously improved (e.g. the launch of the advisor workbench) to ensure optimal outcomes to Liberty customers and reduce risks of inappropriate advice and consequent reputational risk. Customer care is a key objective.

Emerging risks

The following emerging risks have been identified as relevant to Liberty's business and pose both risks and present opportunities:

- Climate change: The direct physical impact of climate change as well as the second order impact of transitioning to a low carbon economy presents risks and opportunities to Liberty. Changing stakeholder demands, including ESG-related issues, are considered as part of a group-wide approach to managing climate change risk;
- De-globalisation: Geopolitical shifts and the COVID-19 pandemic may result in a shift from globalisation to nationalism and protectionism.

Emerging risks involve a high degree of uncertainty (i.e. timeframe and severity). Liberty is in the process of investigating the potential risks and opportunities associated with these risks to inform the appropriate actions.

1. Enterprise risk management (continued)

1.7 Capital management

1.7.1 Capital management strategy

The capital management strategy is designed to ensure that the group remains within risk appetite with sufficient capital to meet strategic initiatives, as well as regulatory and working capital requirements. The allocation and use of capital are designed to generate a return that appropriately compensates investors for the risks incurred. Capital is deployed to each legal entity within the group such that the available capital exceeds its applicable regulatory capital requirement. Appropriate buffers allow the group to be managed within its risk appetite.

The Prudential Authority's solvency capital methodology has been applied for the South African insurer in the group, Liberty Group Limited (LGL), since 1 July 2018. The Prudential Authority granted LGL an insurance license and Liberty Holdings Limited (LHL) a license as the controlling company of an insurance group during the second half of 2020 on conclusion of the required licensing process.

Available capital is the amount by which the value of the assets exceeds the value of liabilities, both measured on the prescribed basis. The group ensures that available capital is of suitable quality and is accessible when required, both at an LGL and LHL level.

The capital buffer is the amount by which available capital exceeds the solvency capital requirement, measured at an individual legal entity level. As a whole, the group holds a further capital buffer which is managed to support risk target levels, strategic initiative requirements and the dividend policy of the group. Similarly, individual entities, most notably insurance subsidiaries, maintain buffers in order to ensure their individual compliance to local regulatory requirements. The group's dividend policy takes cognisance of capital requirements at a group level. Similarly, all dividends sourced from regulated entities are only approved where they do not compromise capital adequacy at each legal entity level.

Despite the significant financial impacts resulting from the pandemic Liberty comfortably met all Prudential Authority capital requirements. Regulated entities, both in South Africa and the rest of Africa, maintained positive capital buffers, with LGL maintaining a positive buffer within its target range.

The group's capital position is reported quarterly to the board. The board considers reports from the head of the actuarial function before dividends are declared by either LGL or LHL.

1.7.2 Available capital

The group is largely funded through ordinary share equity which is the highest quality of capital available to protect policyholders. In addition, the group has six subordinated debt instruments, totaling R5.5 billion nominal value at 31 December 2021 issued by LGL to increase its available capital, in order to fund its working capital requirements and to lower the weighted average cost of capital for the group. The details of the instruments are provided in note 21 to the annual financial statements.

On 16 February 2022, S&P Global Ratings affirmed LGL's zaAAA long-term South Africa national scale issuer rating, as well as the long-term South Africa national scale issue rating of "zaA+" assigned to its subordinated notes.

1.7.3 Solvency Capital Requirement coverage

The Solvency Capital Requirement (SCR) cover of Liberty Group Limited (LGL), the Group's main long-term insurance licence at 31 December 2021 remains strong at 1,72 times, which is well within the target range of 1,5 to 2,0 times. Increased insurance risk and the continued impact of the COVID-19 pandemic are the main reasons for the SCR coverage ratio decrease from 31 December 2020. This decrease was partially offset by increased Own Funds (OFs) from good market performance and an increase in the cover provided by LGL's mass lapse reinsurance treaty. 31 December 2021 LGL Own Funds take into account a "foreseeable dividend" in respect of the special distribution of R 1.5 billion from LGL to Liberty Holdings Limited to fund part of the Standard Bank transaction. Refer to note 51 "Events after reporting date" for more information. As more risky assets have been sold to fund this transaction the net impact on the Liberty Group Limited coverage ratio has been minimal.

The following table summarises the available capital (or "own funds") and the solvency capital requirements ("SCR") for Liberty Group Limited.

Liberty Group Limited	2021	2020
Available capital (or "own funds") (Rm)	**29 601**	30 275
Solvency capital requirement (SCR) (Rm)	**17 254**	16 703
SCR coverage ratio (times)	**1,72**	1,81
Target SCR coverage ratio (times)	**1,5 - 2,0**	1,5 - 2,0

Sensitivity analysis on available capital

The following table provides a sensitivity analysis of LGL's SCR coverage ratio to various market risk factors. Each sensitivity is applied in isolation with all other assumptions left unchanged.

	SCR coverage ratio (times)	
Liberty Group Limited	**2021**	**2020**
Base SCR coverage ratio (times)	**1,72**	1,81
Local listed equity down 15%	**1,73**	1,82
Rand appreciates by 12%	**1,70**	1,79
Unlisted property down 10%	**1,69**	1,78
Parallel reduction of yield curve by 100 basis points	**1,71**	1,82

These sensitivities illustrate the stability of LGL's coverage ratio under various market risks, which is a key objective in the construction of the strategic asset allocation for the shareholder investment portfolio. Refer section 4.4.1.

Risk management (continued)

for the year ended 31 December 2021

2. Strategic and business risk

Strategic risk is the possibility of adverse outcomes, including reputational damage, resulting from adopting a particular strategy and/or having a weak competitive position. This may arise from errors in business structures, capital allocation, government action and misunderstandings of economic growth and inflation.

Business risk is the risk that future experience will differ from expectations due to unanticipated concentrations of risk or new business levels being different from expected (as measured by volume or mix).

Management regularly monitors strategic and business risks and seeks to respond appropriately and manage them against Liberty's appetite for risk.

Liberty has a clearly defined business strategy, making it possible to identify events that would hinder the business from achieving its objectives as well as opportunities that might assist the business in advancing towards or achieving its objectives. Liberty's resilience continued to be tested in 2021 in the face of the COVID-19 pandemic. In many instances the pandemic exacerbated the long-term challenges faced by Liberty, but it also provided an opportunity to reimagine methods of execution supported by accelerated digital adoption across all areas of the business. Progress continues to be made on the delivery of strategic goals.

Liberty's strategic purpose is "Improving people's lives by making their financial freedom possible". The pandemic has resulted in Liberty being called on to fulfil its purpose by supporting clients as they experience those most profound moments of human vulnerability. Liberty has demonstrated its preparedness for this through the continued timely payment of death and disability benefits due under contracts with customers, as well as making provision for those economically hurt by the pandemic to adjust their premiums. The establishment of the pandemic reserve, while maintaining a strong capital ratio, gives clients comfort that Liberty will continue to deliver on its promises in the future.

Risks that impact the ability of the business to meet commercial goals are identified through analysis of the external and internal environment. The crisis has elevated the risk of poor investment performance, as the crisis and recovery are expected to have vastly different impacts on different segments of the economy.

The aggregated risk profile, which considers both risks identified via the top-down and bottom-up processes, is monitored and reviewed by the GCROC and GRC with actions driven by management structures.

3. Insurance risk

3.1 Definition

Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts. This could be due to variations in mortality, morbidity, retrenchment, policyholder behaviour or expense experience in the case of life products, and claims incidence, claim severity or expense experience in the case of short-term insurance products. These could have adverse impacts on the group's earnings and capital if different from those assumed.

The insurance risks with the greatest impact on the financial position and comprehensive income are covered in more detail in sections 3.4 to 3.7.

3.2 Ownership and accountability

The management and staff in all BUs which accept insurance risk are responsible for the day-to-day identification, analysis, pricing, monitoring and management of insurance risk. It is also management's responsibility to report any material insurance risks, risk events and issues identified to senior management through pre-defined escalation procedures.

The head of actuarial function and statutory actuaries, where applicable, and group insurance risk department provide independent oversight of compliance with the group's risk management policies and procedures and the effectiveness of the group's insurance risk management processes.

There are a number of management committees in place responsible for managing all aspects of insurance risk. These committees are:

- Group control and risk oversight committee (GCROC);
- Group reinsurance, underwriting and claims committee;
- Group product approval committee; and
- Actuarial control committee.

These committees are sub-committees of the Exco.

The functions of the various committees responsible for managing insurance risk include:

- recommending insurance risk related policies to GCROC for approval and ensuring compliance therewith;
- ensuring that insurance risk is appropriately controlled by monitoring procedures to control insurance risk and insurance risk levels against agreed limits and triggers;
- gaining assurance that material insurance risks are being monitored and that the level of risk taken is in line with the risk appetite statement at all times;
- considering any new insurance risks introduced through new product development or strategic development and how these risks should be managed;
- monitoring, ratifying and/or escalating to GCROC all material insurance risk-related breaches/excesses, highlighting the corrective action undertaken to resolve the issue;
- monitoring insurance risk capital requirements as they apply to the management of the group and its subsidiaries' balance sheets; and
- approving the reinsurance, underwriting and claim management strategies and overseeing the implementation of those strategies.

3. Insurance risk (continued)

3.2 Ownership and accountability (continued)

The head of actuarial function and statutory actuaries, where applicable, provide oversight of the long-term insurance risks undertaken by the group by:

- providing an opinion at least annually on the financial soundness of the life insurance entities within the group;
- overseeing the setting of assumptions used to provide best estimate liabilities plus compulsory and discretionary margins (as described in the accounting policies) in accordance with the assumption setting policy; and
- providing an opinion on the actuarial soundness of premium rates in use for new business, and on the profitability of the business, taking into consideration the reasonable benefit expectations of policyholders and the associated insurance and market risk.

3.3 Risk identification, assessment, measurement and management

Risk management takes place prior to the acceptance of risks through the product development and pricing processes and at the point of sale. Risks continue to be managed through the measurement, monitoring and treatment of risks once the risks are contracted.

3.3.1 Risk management through product development, pricing and at the point of sale

The product development and pricing process defines the terms and conditions on which the group is willing to accept risks. Once a policy has been sold, the group is placed on risk for the duration of the contract and the group cannot unilaterally change the terms and conditions of the policy except where the policy allows for rate reviews. It is for these reasons that risks need to be carefully assessed and appropriately mitigated before a product is launched and before new policies are accepted onto the group's balance sheet. The product development and approval processes ensure that:

- risks inherent in new products are identified and quantified;
- sensitivity tests are performed to enhance understanding of the risks and appropriateness of mitigating actions;
- pricing is adequate for the risk undertaken;
- product design takes account of various factors including size and timing of fees and charges, appropriate levels of minimum premiums, commission structures (designed to avoid the creation of incentives for mis-selling) and policy terms and conditions;
- the group makes use of reinsurance to reduce its exposures to some insurance risks;
- customers' needs and expectations will be met by the product;
- advisors are properly trained to ensure products sold and level of cover are appropriate for each customer;
- the controls required to provide the product within risk appetite are identified and established; and
- post-implementation reviews are performed to ensure that intended outcomes are realised and to determine if any further action is required.

3.3.2 Risk management post-implementation of products and of in-force policies

The ongoing management of insurance risk, once the risk has been contracted, includes the management of costs; premium adjustments where permitted and appropriate; management strategies and training of sales staff to encourage customers to retain their policies; and careful follow up on disability claims and deaths.

Experience investigations are conducted at least annually on all significant insurance risks to ascertain the extent of deviations from assumptions and their financial impacts. If the investigations indicate that these deviations are likely to persist in future, the assumptions will be adjusted accordingly for the subsequent measurement of policyholder contract values. Furthermore, any deviations that are likely to persist are also used to inform the product development and pricing of new and existing products.

Feedback from customers is regularly considered to ensure that sales processes are delivering the right results for customers, that the contracts remain appropriate for their needs in the years after sale and that those customers considering abandoning or surrendering their contracts are fully informed about the consequences of their choice.

Insurance risks are assessed and reviewed against the group's risk appetite and risk target. Mitigating actions are developed for any risks that fall outside of management's assessment of risk appetite in order to reduce the level of risk to within the approved tolerance limits.

Each relevant BU prepares monthly and quarterly reports that include information on insurance risk. The reports are presented to the relevant BU executive committees and relevant risk committees for review and discussion. Major insurance risks are incorporated into a report by the CRO on the group's overall risk which is submitted to the GRC. In addition, the group actuarial committee (GAC) reviews actuarial methodology and assumptions to support the GRC. Where it is deemed necessary, material insurance risk exposures are escalated to the board. An overview of insurance risks and management responses is included in the ORSA report to the Prudential Authority.

In respect of insurance risks, the reports contain the results of experience investigations conducted along with other indicators of actual experience. These reports also raise any issues identified and track the effectiveness of any mitigation plans put in place.

IFRS sensitivities for the primary insurance risks are provided in section 11.

The analysis of insurance earnings by product classification disclosed in note 2 (segment information) of the annual financial statements shows insurance earnings split between risk business and investment business for the group's SA Retail and Liberty Corporate business units.

Risk management (continued)

for the year ended 31 December 2021

3. Insurance risk (continued)

3.3 Risk identification, assessment, measurement and management (continued)

3.3.3 COVID-19

As a result of the emergence of COVID-19 in 2020 in South Africa and in the other jurisdictions in which Liberty operates, the group holds a pandemic reserve (included in insurance contract liabilities) in respect of insurance contracts in-force. This reflects the estimated net adverse impact in the short-term to the best estimate cash flows and related margins on these contracts, in excess of the supportable long-term assumptions. These impacts are a combination of the likely impact to the health of customers (mortality and morbidity) as well as the indirect impact the pandemic is expected to have on retrenchments, withdrawals and expenses. The impacts to the group's IFRS earnings, and the group's solvency capital position have been assessed. Given the continued high level of uncertainty of the short-term impact, sensitivities to these assumptions continue to be disclosed in the 'Key judgements in applying assumptions on application of accounting policies' section of this report.

Insurance risks continue to be assessed and reviewed against the group's risk appetite and risk target. Mitigating actions are developed for any risks that fall outside of management's assessment of risk appetite in order to reduce the level of risk to within the approved tolerance limits.

As a result of the expected short-term direct and indirect consequences of the pandemic, management has adopted some changes in approach at the point of sale and certain other actions to mitigate losses. These management actions are discussed in further detail under each insurance risk type below.

Continued consideration is also being given to the long-term risks of the pandemic, considering the risk that COVID-19 may have become endemic and to risk mitigants in place to manage these long-term risks.

3.4 Policyholder behaviour risk

This is the risk of policyholders' behaviour within the insurance entities deviating from that expected, mainly due to:

- regulatory and legislative changes (including taxation);
- changes in economic conditions;
- competitor behaviour;
- advisor behaviour;
- policy conditions and practices;
- changes in policyholders' circumstances; and
- policyholders' and advisors' perceptions.

The primary policyholder behaviour risk is termination risk. This generally arises when policyholders discontinue or reduce contributions, or surrender or lapse their policies at a rate that is not in line with expectations. This behaviour results in a loss of future charges that are designed to recoup expenses and commission incurred early in the life of the contract and to provide a profit margin or return on capital. An increase in terminations generally gives rise to a loss, as the loss of these future charges generally exceeds the charges that the group applies to the policyholder benefits in these events. However, with certain products the general principle does not always apply. For example, level premium risk products at certain durations will produce a strain to earnings if actual terminations are lower than assumed.

In the measurement of policyholder contract values, margins as described in the accounting policies are added to the best estimate termination rates.

In the calculation of solvency capital requirements, allowance is made for the following risks in respect of policyholder behaviour:

- The risk that the actual level of terminations is different from expected;
- The risk of a termination catastrophe to capture a run-on-a-bank type of scenario; and
- The risk that the extent to which options on embedded derivatives in products are exercised differs from expectations.

Policyholder behaviour risk, in particular surrender and lapse risk, remains significant with the experience being volatile and linked in part to the economic cycle. This risk is managed through frequent monitoring of experience and actively driving retention initiatives in areas exhibiting deteriorating experience. Focusing on being customer centric, including listening to customers to understand the drivers of the experience, enables appropriate actions to be taken. Due to the highly intermediated nature of the insurance and investment market, experiences, perceptions and ultimate behaviour of financial advisors are key determinants of the ultimate policyholder behaviour. The termination experience of each financial advisor's business is monitored, and appropriate action is taken when required. In addition, opportunities to switch to new generation Liberty products are periodically made available to existing policyholders.

As a result of the deteriorating economic conditions in 2020, caused largely by measures implemented by governments and individuals locally and internationally to control the spread of COVID-19, it was recognised by Liberty that terminations would be likely to increase significantly. The link between higher terminations and poor economic conditions has been observed historically as a result of the general decrease in the ability of customers to afford recurring contributions on both risk and investment policies. Furthermore, on investment policies, there would be an increased need to draw down on unrestricted savings.

To reduce the extent of the losses from expected additional terminations, management actions were taken in 2020 to allow customers premium relief options to reduce or stop paying recurring contributions on their policies over the short-term. These options were primarily of two forms. Firstly, customers on pure risk contracts were allowed to reduce their contributions and consequently their risk cover for a specified period, after which full cover and contributions would automatically be reinstated. Secondly, on recurring contribution investment contracts, customers were given the option to waive contributions for a limited period without incurring any exit charges if they reinstated their contributions after the waived period with no requirement to catch up the waived contributions.

The costs to Liberty of granting customers the above premium relief options were considered to be lower than the costs associated with the likely higher levels of policy terminations in the absence of these measures.

3. Insurance risk (continued)

3.4 Policyholder behaviour risk(continued)

The residual experience in 2021 from these 2020 premium relief options suggests these have had the desired effect.

- On pure risk contracts, with the additional premium relief options having expired in late 2020, no impact on withdrawal experience was anticipated in 2021. However, there would have been some favourable experience from customers reinstating cover during 2021 that was prudently not assumed in the 2020 financial reporting basis.
- On investment contracts, significant spikes in paid-up rates and surrender rates above long-term assumption were observed in the months immediately following the expiry of the contribution waiver period. These spikes were anticipated and the cost thereof allowed for in the pandemic reserve set up at 31 December 2020. Although paid-up rates and surrender rates remained elevated above long-term assumption on some product lines during much of 2021, the overall cost of withdrawals in 2021 and the residual cost of investment terminations estimated for 2022 are within the termination allowance made in the pandemic reserve at 31 December 2020. After 2022, experience is expected to revert back to the long-term assumption.

On the Protector pure risk product, withdrawal rates have generally reduced significantly in 2021 across all premium patterns and durations. Although some of this improvement is expected to have been driven by retention initiatives taken, some of this appears due to an increased appreciation of the benefits of life cover in light of the pandemic. This increased appreciation is expected to have some continued impact in lowering withdrawal experience in future, but has not been allowed for yet in the assumption basis as further experience needs to emerge to appropriately assess the longer term change that can reasonably be assumed.

In the institutional customer segment, it was recognised that in a COVID-19 environment some schemes would be likely to terminate as a result of company insolvencies and contributions would be likely to reduce as a result of redundancies and salary reductions. The cost of these events is still expected to be ongoing and an allowance for this cost has been maintained in the pandemic reserve at 31 December 2021.

In December 2018, the group entered into a reinsurance contract expected to cover in part the losses incurred under certain catastrophic termination events (i.e. a severe termination event that occurs over a period of 12 months). This catastrophe cover has continued to be rolled forward and is in place for 24 months from the financial reporting date. In December 2021, the group has entered into further such reinsurance cover with the additional cover being in place for 12 months from the financial reporting date. The group has entered into these arrangements to reduce the exposures to catastrophic termination events and for capital management purposes. Although, the indirect impacts of COVID-19 were expected to result in short-term increases in terminations, the increases were never expected to be close to breaching, and to-date have not been close to breaching, the trigger level over a 12 month period for this cover to kick in. However, should terminations unexpectedly spike in future this catastrophe cover may prove beneficial.

3.5 Expense risk

Expense risk is the risk of changes in future expense expectations from those assumed in the calculation of expected financial outcomes (i.e. the actual cost per policy differs from that assumed in the pricing or valuation basis).

Allowance is made for expected future maintenance expenses in the measurement of long-term policyholder contract values using a cost per policy methodology. These expected expenses are dependent on estimates of the number of in-force and new business policies. As a result, the risk of expense loss arises due to expenses increasing by more than expected as well as from the number of in-force and/or new business policies being less than expected.

The group manages the expense risk by:

- regularly monitoring actual expenses against budgeted expenses;
- regularly monitoring new business volumes and mix;
- regularly monitoring withdrawal rates including lapses; and
- implementing cost control measures in the event of expenses exceeding budget or of significant unplanned reductions in the number of in-force policies.

In the measurement of policyholder liabilities, a margin as described in the accounting policies is added to the best estimate expenses.

In the calculation of capital requirements, allowance is made for the following risks in respect of expenses:

- the risk that the actual level of expenses is different from expected; and
- the risk that the rate at which the group's expenses increase is greater than assumed relative to the rate of inflation. The risk that inflation is higher than expected is treated as a market risk.

Even though expense risk does not give rise to large capital requirements, the management of expense risk is core to the business. The expenses that the group expects to incur on policies are allowed for in product pricing. If the expenses expected to be incurred are considerably higher than those of other insurers offering competing products, the ability of the group to sell business on a profitable basis will be impaired. This not only has capital implications but can also affect the group's ability to function as a going concern in the long-term.

Given the lower than expected new business volumes over the period of the pandemic and the higher than expected withdrawals, the actual acquisition and maintenance costs per policy have been increasing at a rate higher than expected. This has resulted in acquisition and maintenance cost overruns in the short-term.

The additional once-off costs expected to be incurred and maintenance costs per policy increases expected over the short-term are allowed for in the pandemic reserve as outlined in the 'Key judgements in applying assumptions on application of accounting policies' section.

Apart from the costs provided for in the pandemic reserve, it is assumed that acquisition and maintenance costs per policy will continue to be managed in line with current assumptions. The business is committed to restoring new business and in force case counts back to levels that, together with targeted expense saving initiatives, will manage the business within these assumptions.

Risk management (continued)

for the year ended 31 December 2021

3. Insurance risk (continued)

3.6 Underwriting risks

The primary purpose of underwriting is to ensure that an appropriate premium is charged for each risk and that cover is not offered to uninsurable risks. Underwriting risks are the risks that future demographic or claims incidence experience will exceed the allowance for expected demographic or claims incidence experience, as determined through provisions, pricing, risk measures and value measures. Underwriting risks include, amongst others, mortality and morbidity risks, retrenchment risks, longevity risks and non-life (short-term insurance) risks.

The group views these underwriting risks as risks that are core to the business. Although COVID-19 has and is expected to continue to directly and indirectly result in significant risk benefits payable to customers, resulting in losses being incurred in the short term, the occurrence of such pandemic events is part of the reason for the existence of insurance. This is also reflected in the fact that capital is held for such events, with pandemic stresses included in capital calculations. Provided the pandemic stress is appropriately calibrated, long-term returns for Liberty's shareholders are expected to cover the costs of these infrequent events adequately. With the pandemic providing relevant further insight for the calibration of such extreme events, the group will reassess the ongoing appropriateness of this calibration to help ensure that an appropriate risk-return tradeoff is maintained on new business.

Liberty uses its specialist skills (with assistance from reinsurers where considered necessary) to enhance risk selection for the assessment, pricing and management of these risks to generate favourable shareholder returns. These risks are diversified by exposure across many different lives, geographies, and product types and will generally be retained if they are within risk appetite.

Liberty is exposed to the risk that its risk selection capabilities fall behind those of its competitors. Liberty continues to acquire and retain specialist skills and to actively drive specific risk selection initiatives to counteract this risk.

The group has the following processes and procedures in place to manage mortality and morbidity risk:

a. Pricing

Premium rates are differentiated by factors which historical experience has shown are significant determinants of mortality and morbidity claim experience. Premium rates and product designs are updated when required. For institutional schemes, specific attention is paid to industry so that rates quoted can reflect the impact of the industry on mortality risk. Industry loadings tend to be lowest for administration type work and highest for heavy industrial work.

Prior to taking on individual risk policies, appropriate underwriting processes are conducted, such as blood tests, which influence pricing on the policy prior to acceptance.

Actual claims experience is monitored on a monthly basis so that deteriorating experience can be timeously identified. Product pricing and the measurement of the liabilities are changed if the deteriorating experience is expected to continue and cannot be mitigated. Detailed mortality and morbidity investigations are conducted at least annually for key products.

b. Terms and conditions

The policy terms and conditions contain exclusions for non-standard and unpredictable risks that may result in severe financial loss.

Terms are built into the policy contracts that permit risk premiums to be reviewed on expiry of a guarantee period. In particular:

- for individual risk business, most in-force risk premiums are reviewable (after 10 to 15 years on Lifestyle Protector business and annually on credit life and Emerging Consumer Market business); and
- for institutional risk business, the risk premiums are reviewable annually.

Delays in implementing premium increases and market or regulatory restraints over the extent of the increases may reduce their mitigating effects.

c. Underwriting

Underwriting guidelines concerning authority limits and procedures to be followed are in place.

All individual business applications for risk cover are underwritten, except for some policies with smaller sums assured where specific allowance for no underwriting has been made in the product design and pricing. For other smaller sums assured, the underwriting process is largely automated. For individual and institutional business, larger sums assured in excess of specified limits are reviewed by experienced underwriters and evaluated against established processes. For institutional risk business, these specified limits are scheme specific based on the size of the scheme and distribution of sums assured. Since applications on institutional business below the specified limits are not medically underwritten, very few lives are tested for HIV. However, the annually reviewable terms on institutional business enable premiums to keep pace with emerging claim experience.

For individual business specific testing for HIV is carried out based on the assessment of the risk.

Part of the underwriting process involves assessing the health condition and family medical history of applicants. Terms and conditions are varied accordingly.

Non-standard risks such as hazardous pursuits, hazardous occupations and medical conditions are assessed at underwriting stage. The expertise of reinsurers is used in the rating of non-standard risks.

Financial underwriting is used where necessary to determine insurable interest.

For institutional risk business, the exposure by entity and industry class are considered at underwriting stage to ensure that concentration risk remains within risk appetite.

Refinements to underwriting procedures in the context of COVID-19 have continued to evolve in 2021 as further COVID-19 information has emerged. The COVID-19 refinements include more restrictive limitations on the level of cover provided, revised loadings on contributions charged and increased decline or deferment decisions for lives identified in the underwriting process as

3. Insurance risk (continued)

3.6 Underwriting risks (continued)

having comorbidities that appear to impact COVID-19 outcomes, the inclusion of a COVID-19 diagnosis and symptoms as an underwriting factor , as well as the placement of more business with reinsurers where the risk is currently not within Liberty's risk appetite. The group is currently in the process of incorporating vaccination status into the underwriting process with expected implementation in the first quarter of 2022.

For institutional benefits, careful consideration is given to the proportionately different impact COVID-19 is expected to have across various industries in establishing the terms and conditions when annual premium reviews occur.

Significant risk selection changes were incorporated into product pricing in the second half of 2020 that appear to have improved the new business mix and are expected to manage new business experience within long-term expectations.

d. Claims management

For mortality, claims are validated against policy terms and conditions.

For morbidity, experienced claims assessors determine the merits of the claim in relation to the policy terms and conditions. In the case of disability annuitants, claim management ensures the continued eligibility for monthly income and includes interventions that may result in the full or partial medical recovery of the claimant. The actual disability experience is highly dependent on the quality of the claim assessments.

Further refinements continued to be made to claims management practices in 2021 to ensure appropriate and consistent treatment of COVID-19 related claims in line with policy terms and conditions. Refinements made in 2020 related mainly to the treatment of short-term income and retrenchment claims arising from the pandemic; whereas the refinements in 2021 related primarily to the treatment of lump sum disability and dread disease claims in respect of long-term health effects arising from prior COVID-19 infection (i.e. long-COVID).

Incidences of these long-COVID claims have been isolated with overall claim experience within long-term expectation. With instances of such claims predominantly expected in the short-term after infection, it is expected that the morbidity impact of long-COVID can be managed within long-term expectation. However, there is a risk that long-COVID effects become more prominent rather than less prominent over time, but no indications of such a trend have yet been observed.

e. Reinsurance

Reinsurance is used by the group to reduce exposure to: a particular line of business; a particular individual; a single event; and to benefit from the risk management support services and technical expertise offered by reinsurers.

The group has a centralised reinsurance function that works closely with BUs and subsidiaries to optimise and monitor reinsurance at a group level and to ensure consistent governance and execution of the group's reinsurance strategy.

Regular reviews, which consider risk appetite, are conducted on reinsurance arrangements for new business. The levels of reinsurance purchased for new business written in 2021 were elevated compared to those in recent years, due to increased reinsurance referrals on cases with COVID-19 comorbidities to manage increased risk uncertainty during the pandemic. Given that a large proportion of the group's business is long-term individual risk business, where the proportion of the risk that is reinsured is fixed for life at the inception of the policy, the group's overall reinsurance result is heavily influenced by historic reinsurance arrangements. In some instances where underlying policyholder benefits are annually renewable, for example institutional business, reinsurance is annually renewable.

Existing reinsurance arrangements include proportional reinsurance (quota share and surplus type arrangements) on both a treaty and facultative basis and catastrophe reinsurance which is renewed annually.

Catastrophe reinsurance is consolidated across BUs and is in place to reduce the risk of many claims arising from the same event. For institutional schemes, catastrophe reinsurance is considered particularly useful to reduce the risk of multiple claims from a single event, as many lives may be in the same place at the same time. Various events are excluded from the catastrophe reinsurance (e.g. epidemics, pandemics and radioactive contamination).

f. Allowance in policyholder liabilities and capital requirements

In the measurement of policyholder liabilities, margins as described in the accounting policies or prudential standards are added to the best estimate mortality and morbidity rates.

In the calculation of solvency capital requirements, allowance is made for the following risks in respect of mortality and morbidity:

- the risk that the actual level of mortality, morbidity and retrenchment experience is different from that expected; and
- the risk that mortality or morbidity catastrophe events (including epidemic type events) occur.

Mortality and morbidity risk give rise to significant capital requirements in particular due to potential catastrophic events. Since it is difficult to obtain reinsurance for certain catastrophic events, such as epidemics on reasonable terms, the mortality and morbidity capital requirements are likely to remain significant.

Pre COVID-19, the recent mortality experience in certain pockets of the SA Retail business continued to track above expectation but with the variability of experience across mortality being within statistical expectations. Risk selection investigations highlighted areas of concerning experience. Significant pricing revisions and changes in underwriting practices were made in 2020, and further enhanced in 2021, incorporating these risk selection insights which were expected to help address these unfavourable variances in future. While these changes are expected to have improved new business experience relatively in 2021, the highly significant impact of COVID-19 on all areas of mortality experience in 2021, makes it difficult to establish whether this has been the case. Liberty continues to monitor and gain insight from its experience to drive appropriate management actions in underwriting, claims and pricing and to react timeously to ensure appropriate risk selection.

Risk management (continued)

for the year ended 31 December 2021

3. Insurance risk (continued)

3.6 Underwriting risks (continued)

3.6.1 Mortality

Mortality risk is the risk of mortality (death) claims being higher than anticipated.

COVID-19 has and is expected to continue to give rise to significant mortality claim payments in the short term. The expected cost of these excess mortality claim payments was allowed for in the pandemic reserve set up at 31 December 2020 and this reserve has required an increase in 2021. In addition, in recognition of the risk that COVID-19 may have become endemic in the long-term, the long-term Protector mortality assumption has been increased. This long-term adjustment is based on an assumption that a fairly high proportion of policyholders will be effectively vaccinated in the long-term. Mortality assumptions on other product lines are expected to be sufficient to absorb this additional long-term endemic risk. There is a risk that low rates of vaccination and vaccination boosters persist and that natural immunity to severe infection wanes fairly quickly. In such an instance, the long-term allowance may be insufficient to cover the impact of the additional long-term COVID-19 experience.

While the intention is that the pandemic reserve in place at 31 December 2021 provides for all ongoing excess mortality in the short-term, whether directly or indirectly from COVID-19, there is a risk that the assumptions made in setting up the short-term pandemic reserve at 31 December 2021, outlined in the 'Key judgements in applying assumptions on application of accounting policies' do not materialise.

The proportion of customers to be infected/reinfected with COVID-19, the future severity of current and new circulating variants, the level of vaccination, and the efficacy of vaccine and natural immunity over time are all areas giving rise to uncertainty and hence risk.

In the long-term, there is a risk that ongoing excess deaths exceed the additional allowance made for COVID-19 in the long-term assumption. This risk is not only that there are more deaths directly from COVID-19, but that there are additional deaths from the long-term consequences of surviving COVID-19 or from other causes of death arising from indirect economic or societal changes of COVID-19.

3.6.2 Morbidity risk

Morbidity risk is the risk of policyholder health related (disablement and dread disease) claims being higher than expected.

On income disability benefits, although additional COVID-19 related claims were expected, the overall income disability experience was anticipated to be reflected appropriately by the long-term assumptions. The overall experience in 2021 was well within assumption. The long-term assumption is still considered to reflect appropriately the expected future experience.

On lump sum disability benefits, despite higher than long-term assumed disability payments being anticipated in 2021 in the pandemic reserve at 31 December 2020, due to a historically observed link between deteriorating economic conditions and higher lump sum disability claims, the actual experience within 2021 was within long-term expectations. The future experience is also expected to be within long-term assumption.

On lump sum dread disease benefits, experience in 2021 was expected to be within long-term assumption with limited COVID-19 related claims expected to qualify for this benefit. In line with international experience, dread disease experience during the pandemic has generally improved significantly. This is surmised to be as a result of less utilisation of medical resources for non-COVID-19 related conditions leading to reduced rates of diagnosis of dread disease benefit related conditions. This experience is expected to revert back to long-term expectations. There is a risk that there is a 'catch-up' of underdiagnosed conditions in the near future, but this is not currently expected to materially elevate experience above long-term assumption in the short-term.

At this stage, surviving a COVID-19 infection or being vaccinated for COVID-19 is not expected to have a material impact on long-term morbidity for lump sum disability, income disability and dread disease benefits. There is a risk that this is not the case. However, policy terms allow Liberty to review contributions at certain points in time which can be used to mitigate potential long-term loss. In particular, institutional insurance contracts and credit life policies covering this risk can be repriced annually.

3.6.3 Retrenchment

Retrenchment risk is the risk of retrenchment related claims exceeding expectation.

Liberty provides income benefits that are payable in the event of formal retrenchment and for more general loss of income on some product ranges. The benefit is payable for a limited fixed period or until re-employment, if earlier.

The group has exposure to specific retrenchment cover that is available as a rider benefit on Lifestyle Protector policies providing income disability benefits. In addition, Lifestyle Protector allows clients to buy a benefit whereby the contributions due on their Liberty policies are paid by Liberty for a fixed period following retrenchment. Retrenchment cover that forms part of income protection cover is available on bancassurance credit life business.

Liberty's exposure to retrenchment business in aggregate is relatively small. Although retrenchment claim experience has been elevated in 2021 compared to pre-pandemic levels, the level of retrenchment claims has been significantly less than was assumed in the pandemic reserve set up at 31 December 2020.

Although retrenchment claim experience is expected to revert to long-term assumption, given the significant level of uncertainty of the current economic environment, the specific retrenchment cover and retrenchment waiver benefits on Lifestyle Protector have remained closed to new business since March 2020. However, retrenchment cover backing loans was reopened in October 2021 with the expectation that this experience has reverted to acceptable levels given current pricing terms.

On Embedded Bancassurance business, retrenchment cover remained open to new business throughout the pandemic but with contribution increases implemented at the start of 2021, together with more stringent credit worthiness checks on much of this business. Claims were expected to be, and have been, well within the contribution levels.

The group will continue to re-evaluate its retrenchment expectations and associated appetite in deciding whether to open or close retrenchment to new business and on what terms to offer it, if applicable.

3. Insurance risk (continued)

3.6 Underwriting risks (continued)

3.6.4 Longevity risk

Longevity risk is the risk of annuitant mortality being lower than expected, that is annuitants living longer than expected.

For life annuities and claims on income disability business, the loss arises as a result of the group having undertaken to make regular payments to annuitant policyholders for their remaining lives (or in the case of income disability until earlier expiry, normally at retirement age), and possibly to the annuitant policyholders' spouses for their remaining lives.

The pandemic appears to have resulted in, and is likely to continue to result in, the earlier than expected death of some of these annuitant policyholders giving rise to higher than expected profits on this portfolio in the short-term. These expected profits have been used to reduce the amount of the pandemic reserve at financial reporting dates. Consistent with the experience on mortality benefits, with the impact of COVID-19 mortality having been worse than that anticipated in the pandemic reserve allowance at 31 December 2020, the reduction from the annuitants has been more than what was anticipated. With older lives having higher vaccination levels and earlier access to vaccinations, this relative reduction has and is still expected to reduce.

In the longer term, the direct and indirect impacts from COVID-19 on annuitant longevity are unclear.

The group manages the longevity risk by:

- annually monitoring the actual longevity experience and identifying trends over time;
- making allowance for future mortality rates falling in the pricing of new business and the measurement of policyholder liabilities. This allowance will be based on the trends identified in experience investigations and external data; and
- regularly verifying whether annuitants are still alive.

The eligibility of life annuitants paid in South Africa who have valid South African identification numbers is established by a monthly check of existence with the Department of Home Affairs. The eligibility of other annuitants is established with the requirement of a "proof of existence" certificate on an annual basis.

Claims on income disability business also give rise to annuity payments which are contingent on the claimants being alive and their continued disablement. The claims management of the income disability business is covered under morbidity risk.

Risk management (continued)

for the year ended 31 December 2021

3. Insurance risk (continued)

3.6 Underwriting risks (continued)

3.6.5 Non-life (short-term) insurance

Liberty holds a 73,5% (2020: 57,7%) controlling share in Liberty Kenya Holdings PLC, which includes companies conducting short-term insurance business in the East Africa region, including medical expense cover and a 51% share of Liberty General Insurance Uganda Ltd. Liberty held a 100% share of Liberty General Botswana (Pty) Ltd at 31 December 2020 but this was disposed of in 2021.

In addition, in relation to businesses providing medical expense cover, Liberty holds a 100% share of Liberty Health (Pty) Ltd which provides cover to customers in 27 African countries and a 100% share in Total Health Trust Limited (currently a disposal group classified as held for sale) which provides cover in Nigeria.

The following classes of short-term insurance business are covered:

Class of business definition

Medical expense	Cover for personal medical expenses.
Fire	Cover against loss or damage to property due to fire, explosion, storm, business interruption and other occurrences customarily included.
Motor	Cover for losses arising out of the use of motor vehicles, inclusive of third-party risks but exclusive of transit risks.
Liability	Provides indemnity for actual or alleged breaches of professional duty arising out of the insured's activities, indemnifies directors and officers of a company against court compensation and legal defence costs, provides indemnity for the insured against damages consequent to a personal injury or property damage.
Personal accident	Provides financial compensation for the insured person sustaining bodily injury, solely and directly caused by accidental, violent, visible and external means, and which shall within 12 calendar months result in death, disablement or the incurring of medical expenses.
Other	Classes of business not included under those listed above. These include engineering, workmen's compensation, marine and aviation, theft, agriculture, bonds, goods in transit and glass.

The following table summarises the premiums earned and claims loss ratios incurred for the classes of short-term insurance business.

	2021		2020	
Class of insurance business	Gross premiums earned Rm	Gross claims loss ratio %	Gross premiums earned Rm	Gross claims loss ratio %
Medical expense	1 171	73	1 245	72
Fire	318	43	337	12
Motor	290	63	309	58
Personal liability and personal accident	115	25	122	54
Other	283	21	318	52
Total	2 177	58	2 331	58

3. Insurance risk (continued)

3.6 Underwriting risks (continued)

3.6.5 Non-life (short-term) insurance (continued)

Underwriting risks associated with short-term insurance

The risks under any one insurance contract are the frequency with which the insured event occurs and the uncertainty of the amount of the resulting claim. For a pool of insurance contracts, the principal risks are that the actual claims and benefit payments exceed the premiums charged for the risks assumed and that the reserve set aside for policyholders' liabilities proves to be insufficient.

Pricing risk
Pricing risk is managed by carefully establishing criteria by which each potential customer is allocated to the appropriate risk category, applying the underwriting rules, and by establishing prices appropriate to each risk category. Underwriting performance is measured by monitoring the claims loss ratio which is the ratio of claims to premiums.

Reserving risk
For claims that have been reported by the financial position date, expert assessors estimate the expected cost of final settlement. For expected claims that have not been reported by the financial position date an incurred but not reported (IBNR) provision is calculated using appropriate techniques. Consideration is also given to any stipulated minimum IBNR prescribed by regulations. These provisions for claims are not discounted for the time value of money due to the expected short duration of settlement.

Using the experience of a range of specialist claims assessors, provisions are reviewed at least annually to ensure they are sufficient.

Catastrophic risk
Catastrophic risk has the potential to cause significant loss or impact on current year earnings and capital through a single event or a number of correlated events.

Reinsurance and the diversification of types of short-term insurance offered are used to reduce risks from single catastrophic events or accumulations of risk. Various reinsurance arrangements are in place, with retention levels and catastrophe cover levels varying by line of business.

The aggregate risk exposure to medical expenses is managed through claim limits by loss event within the terms of each policy.

3.6.6 COVID-19 underwriting risks associated with short-term insurance

In terms of non-life underwriting risk, COVID-19 is having direct or indirect impacts on three classes of business written by the group as described below:

- Medical expense insurance

Although COVID-19 has increased medical claims due to increased hospitalisation and ICU treatment, as well as covering the cost of COVID-19 tests and vaccinations in some instances, the medical expenses in 2021 continue to be below normal levels with generally reduced medical usage of doctors and hospitals for non-COVID-19 related issues as a result of social distancing measures taken. However, there are indications that medical claim rates are beginning to revert to prior levels as medical usage normalises.

- Motor insurance

In 2020, there were reduced incidents of motor claims due to reduced mobility under lockdown restrictions. However, in 2021 with mobility resuming from the easing of lockdowns, motor claims instances have largely reverted to pre-lock down levels.

- Business interruption insurance

COVID-19 gave rise to significant business interruption claims across the insurance industry globally. The validity of such claims has depended largely on the exact terms and conditions of the policies. The terms and conditions of the typical business interruption policies written by the group only cover direct physical loss or damage or destruction to property. This does not extend to cover infectious/epidemic disease or contingent business liability, whether arising from government lockdowns or closure required for deep cleaning. There were a handful of policies where the terms and conditions did not necessarily require physical damage, but these policies did not result in any COVID-19 claims in 2021.

3.7 New business risks

New business risk is the risk of the value of new insurance business deviating from that expected in calculating expected financial outcomes. This can arise from actual volume, mix and/or quality of new business deviating from that expected. New business strain is included in this risk type. A large proportion of Liberty's new business is sold to the South African affluent individual market segment. This concentration exposes Liberty significantly to changes affecting this segment.

The value of Liberty's new business in recent years has been well below long-term expectations as a result of lower margins on products sold and lower than budgeted business sales volumes. Various strategic initiatives are taking place to address the poor value of new business. The pandemic crisis presented various challenges, particularly in 2020, resulting in significantly lower levels of new business. New business in 2021 has reverted back to levels closer to those of 2019 and investments made during the pandemic period are presenting opportunities to grow new business for the future.

Risk management (continued)

for the year ended 31 December 2021

4. Market risk

4.1 Definition

Market risk is the risk of adverse financial impact resulting, directly or indirectly, from fluctuations in equity prices, interest rates, foreign currency exchange rates, property values and inflation as well as any changes in the implied volatility assumptions associated with these variables.

4.2 Ownership and accountability

The group's market risk policy establishes a set of governing principles for the identification, measurement, monitoring, management and reporting of market risk across the group. It supports the overarching risk management framework with respect to market risk.

The asset and liability committee (ALCO), which is a sub-committee of the group balance sheet management committee (GBSMC), is charged with ensuring that market risk remains within approved risk limits. LibFin is responsible for managing the group's aggregate market risk exposure within risk parameters approved by group risk and GCROC.

Notwithstanding LibFin's broad mandate, relating to managing market risk, there remain small pockets of market risk in the group which are not actively managed centrally, either due to the immaterial or illiquid nature of those exposures. These pockets of risk are monitored through engagement with the relevant business units and are noted at GCROC and GRC.

STANLIB and external asset managers are responsible for managing investment asset portfolios and must manage investment risks within their mandates. Oversight of investment performance risk is provided by the client fund control committee through the monitoring of asset managers and the setting of appropriate policyholder fund mandates.

Group market risk provides independent oversight of the adequacy and effectiveness of market risk management processes across the group and reports material risks to ALCO, GBSMC, GCROC and GRC.

4.3 Risk identification, assessment and measurement

Identification of market risk is fundamental to the group's approach to managing market risk.

In the case of market risks which arise from an insurance/investment product, identification and measurement requires an evaluation of the product's design, whether it is an existing product or a new product proposal, to ensure a thorough understanding of the market risk implications of the product.

In the case of market risks which arise from shareholders' equity, the risk may be identified and measured by considering the market risks that apply to the assets in which these funds have been invested.

Once identified and measured, an assessment of the risk is performed. Risk assessment classifies the risks into:

- The market risk exposures which the group wishes to maintain on a long-term strategic basis. This includes market risks arising from assets within the shareholder investment portfolio (SIP) explained in section 4.4.1; and
- The market risk exposures which the group does not wish to maintain on a long-term strategic basis (as the risk is not expected to provide an adequate return on capital over time), but which are an inevitable consequence of other value adding business activities. Where these risks can be mitigated (either through improved product design or through open market hedging activity in the Asset Liability Management (ALM) Portfolio as explained in section 4.4.2)), on economically sensible terms, such actions are implemented. Where this is not possible, limits are placed on the quantum of the risk that may be taken to ensure that the business continues to be managed within risk appetite.

The group risk function is actively involved in this process through regular engagement with the business as well as through representation on various governance committees such as ALCO, GBSMC and the group product approval committee.

4.4 Risk management

The group's shareholders are exposed to market risk arising predominantly from:

- The long-term policyholder asset/liability mismatch risk. This occurs if the group's assets do not move in the same direction or by the same magnitude as the obligations arising under its insurance and investment contracts, despite the controls and hedging strategies employed;
- Exposure to management fee revenues not already recognised in the negative rand reserves [(1)];
- Financial assets forming the group's capital base (also referred to as shareholders' equity) including currency risks on capital invested outside South Africa; and
- Financial assets held to back liabilities other than long-term policyholder liabilities.

The market risk associated with assets backing long-term policyholder investment-linked liabilities, including discretionary participation feature (DPF) liabilities, is largely borne by the policyholder. However, poor performance on policyholder funds adversely affects asset related fee income. It may also lead to reputational damage and subsequently to increased policyholder withdrawals and a reduction in new business volumes.

4.4.1 Shareholder Investment Portfolio (SIP)

This portfolio comprises shareholder assets and investment exposures expected to remain on the LGL group balance sheet over the long-term in order to support solvency requirements. These are invested and managed for the benefit of LGL, and thereby LHL shareholders, within a clearly defined investment mandate. The SIP represents the vast majority of the market risk to which the shareholder is exposed.

The board, through the GRC, approves the long-term strategic asset allocation of the portfolio. The strategic asset allocation is defined on a through-the-cycle basis and aims to maximise after-tax returns for a level of risk consistent with the group's risk appetite. In determining the strategic asset allocation, consideration is given to the risk capacity already utilised by LGL's core business activities as well as other constraints. These constraints include requirements to take on illiquid assets from policyholders, the need to invest in assets which provide a broadly stable capital coverage as well as various other liquidity, regulatory and/or operational constraints. The strategic asset allocation is overlaid with a tactical asset allocation which allows for some dynamic management of the investment portfolio.

LibFin is responsible for implementing the investment strategy and monitoring performance with oversight from group risk functions and ultimately the board. The implementation of the investment strategy is in part achieved through the mandating of STANLIB and other asset managers. The tactical asset allocation is primarily performed by STANLIB within a mandate approved by the GRC.

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

4. Market risk (continued)

4.4 Risk management (continued)

4.4.1 Shareholder Investment Portfolio (SIP) (continued)

The portfolio is invested in a diversified set of financial assets including equity, fixed income, property, alternative assets and cash, both in local and foreign currency. Allocations are also made to alternative asset classes in search of yield and diversification benefits. As a result, the portfolio is exposed to currency movements as well as market movements in the underlying asset classes.

In the short-term, market movements may contribute to some earnings volatility. The diversified nature of the portfolio should, however, serve to reduce the overall level of earnings volatility.

The Standard Bank transaction includes a R3.2 billion special distribution from Liberty Holdings Limited to its shareholders, partially funded by a special distribution of R1.5 billion paid from LGL to Liberty Holdings Limited. The amount of market risk assumed within the SIP was reduced at the end of 2021 in anticipation of this distribution in order to maintain a broadly stable LGL capital coverage ratio.

The SIP exposures at 31 December are summarised in the table below.

Exposure category	2021				2020			
Rm	Local	Foreign	Total	%	Local	Foreign	Total	%
Equities	1 255	858	2 113	9	3 456	2 284	5 740	23
Bonds	6 282	414	6 696	28	8 190	399	8 589	36
Cash	8 424		8 424	36	3 516	50	3 566	15
Property[1]	4 465		4 465	19	4 310		4 310	18
Other	790	1 076	1 866	8	890	983	1 873	8
Total	21 216	2 348	23 564	100	20 362	3 716	24 078	100

Reconciliation of SIP exposure to LGL group shareholders' equity:

Rm	2021	2020
Shareholder Investment Portfolio	23 564	24 078
Less: 90:10 exposure[2]	(3 063)	(2 915)
Less: Corporate debt	(5 505)	(5 998)
Add: Liberty Two Degrees adjustment[3]	1 042	1 294
Liberty group shareholders' equity	16 038	16 459

[1] *Shareholders are also exposed to any mismatch between the return required by certain policyholder liabilities (cash type return) and the property return delivered by the Liberty Property Portfolio backing assets. As at 31 December 2021 these matching assets amounted to R3 821 million (2020: R2 700 million) and has not been included in the exposures above.*

[2] *The 90:10 exposure is the exposure on certain contracts which include terms that allocate 10% of the investment returns to Liberty shareholders.*

[3] *This represents the difference between Liberty group's share of the net asset value of Liberty Two Degrees as at the reporting date and the listed price of Liberty Two Degrees shares multiplied by the number of shares in issue to Liberty group 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 Liberty Two Degrees shares held within the Shareholder Investment Portfolio.*

4.4.2 Asset/liability management portfolio (ALM Portfolio)

The group has chosen to mitigate a number of market risk exposures, arising from asset/liability mismatches, to which it does not wish to be exposed on a long-term strategic basis, through hedging. The decision to hedge these risks is based on the fact that:

- These market risks may result in the group operating outside of its risk appetite;
- These market risks are capital intensive and over time have the potential to reduce shareholders' returns on capital unless actively managed;
- There is a liquid and tradable market in which to hedge these market risks; and
- Some of the risks (for instance those which arise from selling investment guarantees) are asymmetric in nature and could compromise the group's solvency in severe market conditions.

Risk mitigation is achieved through a dynamic hedging programme, managed by LibFin. The hedging programme aims to manage the risks, within the group's agreed risk appetite framework, through the use of best practice market risk management techniques.

The following exposures are included in the hedging programme:

- Embedded derivatives provided in contracted policies (e.g. minimum investment return guarantees and guaranteed annuity options as described in section 4.8.2);
- Interest rate exposure introduced primarily as a result of writing guaranteed immediate and deferred annuities and guaranteed investment plans;
- Guaranteed Index Trackers; and
- Negative rand reserves.

Risk management (continued)

for the year ended 31 December 2021

4. Market risk (continued)

4.4 Market risks (continued)

4.4.2 Asset/liability management portfolio (ALM Portfolio) (continued)

These risks are managed in the ALM Portfolio using a variety of hedging instruments available in the market.

In some instances, reducing exposure to undesirable risks may result in increased exposure to other risks. In addition to this, as the risk appetite limits cover different dimensions, hedging activity may in certain cases mitigate risk in one dimension whilst resulting in increased risk in others. In recognition of these unintended consequences, the impact of hedging decisions is assessed across all dimensions prior to transacting. Post-transacting, hedge effectiveness is monitored closely by group risk.

The nature of the existing business results in certain risks being difficult to hedge, such as long-dated implied volatility exposures, movements in long-dated interest rates and correlation risks. It is not possible to hedge these risks perfectly, hence some residual risks and associated volatility remain. In such instances limits are imposed on the magnitude of risk accepted. In addition, capital is held against unhedgeable risks. An assessment of the exposure to these residual risks is included within the sensitivity analysis in section 11.

4.5 Alignment of market risk exposure to risk appetite statement

The maximum amount of risk assumed within the group is defined by the group's risk appetite.

Group risk targets are set within risk appetite. These targets guide market risk limit setting for the ALM portfolio. During 2021, the ALM portfolio was managed within approved risk limits.

The strategic asset allocation, and associated tactical asset allocation ranges for the SIP, are defined taking into consideration risk capacity already utilised by LGL group's core activities. The portfolio is constructed with the aim to optimise returns within the residual risk appetite while retaining a conservative investment mandate and meeting other constraints placed on the portfolio.

4.6 Risk reporting

Market risk reports, on the ALM portfolio, are produced daily. These risk reports facilitate the process of managing the ALM portfolio within agreed market risk limits.

The SIP market risk exposures are summarised twice a month and monitored relative to approved tactical asset allocation ranges.

Market risk exposure across both portfolios is reviewed by ALCO and GCROC. The GCROC oversees LibFin's management of the market risk within the approved risk management and governance framework. In addition, it monitors the group's current market risk exposures alongside the group's other risk exposures and overall risk appetite limits.

Furthermore, on a quarterly basis, group market risk reports on the adequacy and effectiveness of market risk management processes across the group, highlighting material exposures to GRC. Where it is deemed necessary, material market risk exposures are reported to the board.

4.7 Summary of group assets subject to market risk

The following table summarises the group's exposure to financial, property and insurance assets. This exposure has been split into the relevant market risk categories and then attributed to the main effective "holders" of the risk defined as follows:

- Long-term policyholder investment-linked (including DPF) liabilities – liabilities that are determined with reference to specific assets and where a significant portion of the market risk is borne by the respective policyholders. The group would be exposed to reputational risk if returns are poor. In addition, the group is exposed to any embedded derivatives (e.g. minimum investment return guarantees) provided on benefits linked to these assets. The embedded derivatives liabilities have been included in "Other policyholder liabilities".
- Other policyholder liabilities – liabilities where shareholders bear the market risk but have largely hedged the risk via suitable matching assets. Annuities, guaranteed investment plans, embedded derivative liabilities and negative rand reserves (excluding those on portfolios of risk contracts with a policyholder asset at portfolio level) have all been included here.
- Third-party financial liabilities arising on consolidation of mutual funds – certain mutual funds in which the group invests are classified as subsidiaries where the group has assessed it has control of these funds in terms of IFRS. These mutual funds are consolidated into the group results. The market risks on the underlying assets that are assumed by the non-Liberty unit holders in these mutual funds are classified as third-party financial liabilities.
- Non-controlling interests – this includes interests held by non-Liberty shareholder participants in unincorporated property partnerships and subsidiaries. See note 47 for details.
- Residual liabilities and shareholders' interests – this shows the residual assets left once assets have been allocated to cover the liabilities mentioned above. Shareholders would be exposed to the market risk on these assets apart from where this risk can be offset. Details on offsetting, enforceable master netting and similar agreements are set out in note 10.4.

Due to various non-linear and derivative type asset and liability exposures as well as the complexity of the market risk management approach adopted by Liberty, this table cannot be used to infer the level of shareholder market risk exposure. The shareholder market risk exposure, other than the relatively small unhedged exposures residing within the ALM portfolio, is reflected within the SIP as outlined in section 4.4.1.

4. Market risk (continued)

4.7 Summary of group assets subject to market risk (continued)

Risk category Rm	Total assets	Attributable to Long-term policyholder investment-linked (including DPF) liabilities	Other policyholder liabilities[4]	Third-party financial liabilities arising on consolidation of mutual funds	Non-controlling interests	Residual liabilities and shareholders' interests
2021						
Assets subject to market risk only	257 904	188 237	(554)	51 110	6 283	12 828
Equity price	132 713	90 048	383	41 175		1 107
Property price[1]	33 395	17 561	170	979	6 283	8 402
Mixed portfolios – excluding investment policies[2]	91 796	80 628	(1 107)	8 956		3 319
Assets subject to market and credit risk	246 722	122 122	53 423	21 624	437	49 116
Interest rate	240 111	119 037	50 423	21 624	437	48 590
Investment policies in mixed portfolios	992	992				
Reinsurance assets[3]	3 526		3 000			526
Equity derivatives	2 093	2 093				
Long-term policyholder assets	2 868					2 868
Other assets not included in the asset class table (refer note 27.1)	3 057					3 057
Total	510 551	310 359	52 869	72 734	6 720	67 869
Percentage (%)		60,8	10,4	14,2	1,3	13,3

(1) *Equity price risk is included in property price risk where the invested entity only has exposure to investment properties. Property company debt instruments of R4 424 million are included in the interest rate risk line.*

(2) *Mixed portfolios are subject to a combination of equity price, interest rate and property price risks depending on each portfolio's construction. A substantial portion of the mixed portfolios will be subject to equity price and interest rate risk. The exact proportion is difficult to calculate accurately given the number of mutual funds and hedge funds contained in the group portfolios.*

(3) *Reinsurance assets are claims against reinsurers outstanding at the reporting date. They are not subject to market risk other than time value of money (interest rate) for the periods to settlement.*

(4) *Negative exposure to the various risk categories can occur in 'Other policyholder liabilities' since the present value of future inflows can exceed the present value of future benefits and expenses resulting in a negative liability. The group offsets these negative liabilities against policyholder investment-linked liabilities. The policyholder market risk exposure, however, remains unchanged. Hence, shareholders bear all the risks of shorting assets backing the policyholder investment-linked liabilities by the amount of these negative liabilities.*

Risk management (continued)

for the year ended 31 December 2021

4. Market risk (continued)

4.7 Summary of group assets subject to market risk (continued)

		Attributable to				
Risk category Rm	**Total assets**	**Long-term policyholder investment-linked (including DPF) liabilities**	**Other policyholder liabilities[4]**	**Third-party financial liabilities arising on consolidation of mutual funds**	**Non-controlling interests**	**Residual liabilities and shareholders' interests**
2020						
Assets subject to market risk only	230 442	169 839	(2 148)	42 233	6 433	14 085
Equity price	120 192	85 744	(686)	32 529		2 605
Property price[1]	33 094	15 305	253	4 314	6 433	6 789
Mixed portfolios – excluding investment policies[2]	77 156	68 790	(1 715)	5 390		4 691
Assets subject to market and credit risk	237 201	111 085	46 622	19 272	551	59 671
Interest rate	232 092	109 058	44 037	19 272	551	59 174
Investment policies in mixed portfolios	941	941				
Reinsurance assets[3]	3 082		2 585			497
Equity derivatives	1 086	1 086				
Long-term policyholder assets	5 050					5 050
Other assets not included in the asset class table (refer note 27.1)	2 905					2 905
Total	475 598	280 924	44 474	61 505	6 984	81 711
Percentage (%)		59,0	9,4	12,9	1,5	17,2

(1) *Equity price risk is included in property price risk where the invested entity only has exposure to investment properties. Property company debt instruments of R3 961 million are included in the interest rate risk line.*

(2) *Mixed portfolios are subject to a combination of equity price, interest rate and property price risks depending on each portfolio's construction. A substantial portion of the mixed portfolios will be subject to equity price and interest rate risk. The exact proportion is difficult to calculate accurately given the number of mutual funds and hedge funds contained in the group portfolios.*

(3) *Reinsurance assets are claims against reinsurers outstanding at the reporting date. They are not subject to market risk other than time value of money (interest rate) for the periods to settlement.*

(4) *Negative exposure to the various risk categories can occur in 'Other policyholder liabilities' since the present value of future inflows can exceed the present value of future benefits and expenses resulting in a negative liability. The group offsets these negative liabilities against policyholder investment-linked liabilities. The policyholder market risk exposure, however, remains unchanged. Hence, shareholders bear all the risks of shorting assets backing the policyholder investment-linked liabilities by the amount of these negative liabilities.*

4. Market risk (continued)

4.7 Summary of group assets subject to market risk (continued)

A breakdown of the residual liabilities and shareholders' interests (on the preceding table), where group shareholders assume any market risk on the backing assets, except where set-off applies, follows:

Rm	2021	2020
Provisions	140	140
Deferred taxation	2 096	2 278
Deferred revenue	371	345
Short-term insurance liabilities	1 170	1 058
Financial liabilities	8 644	10 183
Lease liabilities	444	480
Liabilities held for trading and for hedging	11 485	18 105
Repurchase agreements liabilities and collateral deposits payable	5 988	11 512
Employee benefits	1 585	1 341
Insurance and other payables	14 197	14 954
Current taxation	680	210
Disposal group liabilities classified as held for sale	96	92
Ordinary shareholders' equity	20 973	21 013
Total	67 869	81 711

4.8 Market risk by product type

The relevant market risks associated with the various policyholder products are discussed by product type below:

4.8.1 Investment-linked (excluding insurance contracts with DPF) products

Investment-linked products provide the policyholder with benefits which are dependent on the investment return on a portfolio of assets from the date of premium payment. As a result, a significant portion of the market risk on these products is borne by policyholders.

- For IFRS defined investment contracts, the group typically holds the assets on which the unit prices are based. In such a scenario, there is virtually no mismatch.
- In respect of IFRS defined insurance contracts with investment-linked components, the liability is reduced by the corresponding negative rand reserve. Some market risk is consequently retained by the group on this business, to the extent that the negative rand reserve does not move in line with the investment-linked liabilities. This risk is managed as part of the ALM portfolio.
- A significant portion of investment-linked business has embedded derivatives in the form of minimum investment return guarantees or guaranteed minimum death benefits. This risk is managed as part of the ALM portfolio.
- On a portion of business in this category, policyholders receive 90% of both the positive and negative returns achieved on the underlying assets. This leaves shareholders' earnings with exposure to the remaining 10%, thereby introducing earnings volatility due to the exposure to market risk (the 90:10 fee exposure). This exposure is included in the SIP.
- Management fees charged on this business are determined as a percentage of the fair value of the underlying assets, which are subject to market risk. As a result, the management fees tend to fluctuate but, by design, will always be positive.
- Timing delays may occur between the receipt of premiums from policyholders and the date that the funds are actually invested for the benefit of the policyholder. Such delays may result in either a profit or loss for the shareholder as the policyholder is guaranteed the implied performance of the referenced investments from the date of premium payment.

4.8.2 Guarantees and options on investment-linked business

Significant exposure to market risk arises from guarantees and options on investment-linked business. These product features are embedded in various products. IFRS, as well as Advisory Practice Notes and Standards of Actuarial Practice issued by the Actuarial Society of South Africa, require these guarantees and options to be separately identified and measured as embedded derivatives on a market consistent basis. LibFin actively manages the group's exposure to these embedded derivatives within the ALM Portfolio as part of its dedicated hedging programme.

The policyholder liabilities in respect of minimum investment return guarantees including the policyholder bonuses and guaranteed annuity options amounted to R921 million (2020: R1 669 million) and R185 million (2020: R210 million) respectively.

a. Minimum investment return guarantees

Minimum investment return guarantees are provided on the death and/or maturity proceeds of policies invested in selected investment portfolios. The liabilities from these embedded derivatives are valued in accordance with valuation techniques that approximate market consistent option pricing techniques using stochastic Monte Carlo simulation. These techniques mirror a mid-market, market consistent price to be paid to externally transfer the risk.

The interest rate, equity and other market risks emanating from minimum investment return guarantee products are actively managed by LibFin where appropriate hedging instruments exist.

Risk management (continued)

for the year ended 31 December 2021

4. Market risk (continued)

4.8 Market risk by product type (continued)

4.8.2 Guarantees and options on investment-linked business (continued)

b. Guaranteed annuity options (GAOs)

GAOs give the policyholder the option to convert the maturity proceeds of a retirement annuity to an annuity product at a predefined rate. Since 2001, GAOs have no longer been offered by the group so the policyholder liability in respect of these options is tapering off. Similar to minimum investment return guarantees, liabilities from these embedded derivatives are valued in accordance with valuation techniques that approximate market consistent option pricing using stochastic Monte Carlo simulation techniques.

GAOs expose the group to a low interest rate environment. Interest rates impact not only the projected value of the proceeds of the policy but also the value of the annuity offered at the date of retirement. As the GAO applies to the full proceeds of the underlying retirement annuity policy, good investment returns on typical underlying investments also increase the value of the GAO liabilities, as do longevity improvements.

c. Guaranteed Index Trackers

Guaranteed index trackers are a set of unitised investment funds, offered to both individual and institutional customers, which guarantee the customer a zero tracking error against an observable market index at low cost. Investors can select between a local equity (Top 40), local bond (ALBI) or cash total return (STEFI) index tracker.

STANLIB Index Investments is mandated by LibFin to actively manage the equity and interest rate risks stemming from the sale of Guaranteed index trackers. This activity is performed within a clearly defined mandate and forms part of the ALM portfolio.

4.8.3 Non-participating annuities

Non-participating annuities (including income disability annuities in payment) provide benefit payments that are fixed and guaranteed (although a small proportion of the business provides inflation-related increases on annuities in payment). These liabilities are backed almost entirely by fixed income securities. The group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

LibFin manages interest rate risk on non-participating annuity business in the ALM portfolio. Seeking to hedge very long-dated annuity liabilities with available market instruments, typically of a much shorter tenor, results in convexity risk whereby, for large changes in interest rates, the annuity liability value tends to change by more than the value of the backing asset. Group market risk monitors convexity risk through a combination of principal component analysis and defined stress tests designed to capture non-linear risk of this nature.

4.8.4 Long-term insurance contracts with DPFs

The group has a number of portfolios of long-term insurance contracts with DPFs, most of which have been acquired through acquisitions of other insurers. With the exception of the Prudential conventional business, which is backed by a segregated pool of assets, a notional pool of assets is tracked for each DPF fund, to ensure that each group of policyholders receive their relevant benefits.

Bonuses are declared on this business taking a number of factors into account, including the previously declared bonus rates, policyholder reasonable expectations, expenses, actual investment returns on the underlying assets, expectations of future investment returns and the extent to which the value of assets exceeds the value of benefits allowing for both the guaranteed benefits and projected future bonuses at the most recently declared rates, among other factors. Once declared, a portion of the bonus, depending on the type of contract, forms part of the guaranteed benefits. The bonuses declared are in accordance with the Principles and Practices of Financial Management (PPFM) documents which are available on Liberty's website (www.liberty.co.za).

The group recognises the full value of the backing assets as a liability. The guaranteed portion of the liability is sensitive to interest rates. The group bears equity risk to the extent that equities are held to back the guaranteed portion of liabilities. The group bears interest rate risk to the extent that the assets backing the guaranteed portion of the liability are not a match for these fixed and guaranteed payments. However, the group's market risk can be passed on to the policyholder to the extent that the assets in the portfolio exceed the value of the guaranteed portion of liabilities.

In the case where the value of the asset is less than the value of the prospective/retrospective liability, a negative bonus stabilisation reserve (BSR) will be calculated (as the difference between assets and the policyholder liability). The total liability will then be equal to the sum of the prospective/retrospective liability plus the value of the BSR, which will be equal to the backing asset. The only exception to this would be where the negative BSR had to be limited to comply with SAP104, in which case the total liability (still equal to value of calculated liability plus negative BSR) would be greater than the value of the assets.

4.8.5 Pure risk products (excluding annuities)

Pure risk products are predominantly recurring premium policies that provide benefits that are fixed and guaranteed at inception of the contract. The liabilities on these products are normally negative. These liabilities are sensitive to interest rates and their exposure is included as part of the ALM portfolio.

4.8.6 Guaranteed investment plans and structured products

Guaranteed investment plans are single premium policies that have benefit payments that are fixed and guaranteed at inception of the contract. These liabilities are sensitive to interest rates and their exposure is included as part of the ALM portfolio. In addition, Liberty offers structured products which provide policyholders with a pay-off structure referencing an equity basket. Net exposure is monitored via a mismatch limit to prevent excessive erosion of product margin whilst ensuring that market activity is not operationally intensive and costly.

4. Market risk (continued)

4.9 Market risk by asset or liability class for financial instruments

4.9.1 Interest rate risk

The tables below show financial instrument assets and liabilities directly and primarily exposed to interest rate risk. Due to practical considerations, interest rate risk details contained in investments in non-subsidiary mutual funds and investment policies are not provided. Derivative instrument exposure to interest rates is shown separately in note 10.5.

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

The group's net exposure to interest rate yield curve risk is provided in the sensitivities analysis in section 11.

Financial instrument assets by term to maturity and type of interest

(Debt instruments, collateral deposits receivable, cash and cash equivalents)

Amount by maturity date	2021			2020		
Rm	Fixed	Floating	Total	Fixed	Floating	Total
Within 1 year	12 437	48 057	60 494	20 827	38 189	59 016
1 – 5 years	19 142	27 035	46 177	10 195	30 363	40 558
5 – 10 years	13 856	12 047	25 903	17 425	8 109	25 534
10 – 20 years	24 220	7 455	31 675	16 549	7 060	23 609
Over 20 years	20 599	1 147	21 746	22 567	982	23 549
Variable	246	2 233	2 479	107	6 415	6 522
Total	90 500	97 974	188 474	87 670	91 118	178 788

Financial instrument liabilities by term to maturity and type of interest

(Repurchase agreements liabilities, collateral deposits payable, commercial paper, subordinated notes, loan facilities and preference shares linked to interest rates)

Amount by maturity date	2021			2020		
Rm	Fixed	Floating	Total	Fixed	Floating	Total
Within 1 year	441	8 497	8 938	119	13 775	13 894
1 – 5 years	550	5 139	5 689	927	4 358	5 285
5 – 10 years					1 640	1 640
10 - 20 years					871	871
Total	991	13 636	14 627	1 046	20 644	21 690

4.9.2 Currency risk

The majority of the group's assets are rand denominated.

Offshore assets are held in policyholder portfolios to match the corresponding liabilities. The group is exposed to currency risk through minimum investment return guarantees issued on contracts invested in offshore portfolios and related mismatches, 90:10 fee exposure and management fees. In addition, some of the shareholders' equity base is invested in offshore assets including subsidiaries in the rest of Africa.

Investment guarantees have not been offered on new business fully invested in offshore portfolios since 2005. The rand value of management fees derived from offshore portfolios is subject to currency risk. Strengthening of the rand against the offshore currencies reduces the rand value of management fees on offshore portfolios and increases the liability in respect of rand denominated minimum investment return guarantees on this business. The weakening of the rand will have the opposite effect.

Risk management (continued)

for the year ended 31 December 2021

4. Market risk (continued)

4.9 Market risk by asset or liability class for financial instruments (continued)

4.9.2 Currency risk (continued)

The following table shows a breakdown of Liberty's foreign assets by currency.

Foreign currency exposure

Rm	2021	2020
United States Dollar	79 921	55 027
European Euro	8 341	10 121
Kenyan Shilling	4 935	4 736
Japanese Yen	3 065	2 363
British Pound	2 905	2 851
South Korean Won	1 810	1 563
Swiss Franc	1 432	1 033
Hong Kong Dollar	1 239	1 467
Swaziland Elangeni	1 236	1 099
Danish Krone	1 052	747
Taiwan Dollar	974	544
Botswana Pula	672	517
Australian Dollar	594	639
Canadian Dollar	521	426
Swedish Krona	326	330
Norwegian Krone	439	72
Indonesian Rupiah	413	308
Namibia Dollar	373	358
Ugandan Shilling	349	279
Tanzanian Shilling	447	367
Chinese Renminbi	288	17
Indian Rupee	246	192
Mexican Pesos	241	271
Other	1 389	1 363
Total financial, property and insurance assets by currency[1]	**113 208**	**86 690**

[1] *It is not practical to isolate foreign currency assets contained within rand denominated mutual funds (which are not subsidiaries) and investment policies. Such indirectly held foreign assets are hence excluded above.*

4.9.3 Property market risk

The group is exposed to tenant default, depressed rental markets and unlet space within its investment property portfolio affecting property values and rental income. The managed diversity of the property portfolio and the existence of multi-tenanted buildings significantly reduce the exposure to this risk. At 31 December 2021 the proportion of unlet space in the property portfolio was 6,7% (2020: 7,1%).

During 2021 property valuations continued to be impacted by inter alia, the negative effect of COVID-19 on rentals, reduced growth assumptions for the forecasted period, higher vacancies, the potential for negative reversions and the time required to re-let vacant space.

Independent valuators have reflected this through more conservative valuation metrics including adjustments to exit capitalisation rates, discount rates and an increase in the periods allowed to re-let space. Refer to note 28.6.1 for the sensitivity analysis on the exit capitalisation rates and discount rates. Note 4 provides details of the unobservable inputs included in valuations for investment properties.

Property market risk also arises in respect of shareholder exposures to investment guarantees and negative rand reserves as well as through the SIP.

4. Market risk (continued)

4.9 Market risk by asset or liability class for financial instruments (continued)

4.9.3 Property market risk (continued)

The group's exposure to property holdings at 31 December is as follows:

Rm	2021	2020
Investment properties including operating leases accrued income	29 314	29 598
Owner-occupied properties	936	1 225
Gross direct exposure	30 250	30 823
Attributable to non-controlling interests	(7 003)	(7 162)
Net exposure	23 247	23 661
Concentration use risk within directly held properties is summarised below:		
Retail - super regional and regional	24 330	24 628
Retail - other	2 373	2 211
Office	1 440	1 952
Hotels	1 157	1 092
Specialised	950	940
Gross direct exposure	30 250	30 823

Directly held properties have been classified according to their main value in use.

The main items in specialised property are John Ross Eco Junction and the Sandton Convention Centre.

A portion of LGL's exposure to property is held in listed shares in Liberty Two Degrees Limited. To the extent that policyholders and shareholders are invested in shares, they are exposed to the volatility of the price at which the listed shares trade. Liberty Two Degrees Limited is consolidated by the group and therefore its property exposure is included in the gross direct exposure.

Property exposure, including indirect exposure from mutual funds with more than 80% invested in property assets and from equity and debt in property companies, can be seen from the table in section 4.7.

Liberty has for several decades developed and maintained several flagship property assets including Sandton City, Eastgate etc. These have over many years provided strong growth. They have however become large, concentrated exposures due to this growth. Policyholders do have the ability to put the assets back to shareholder at the prevailing valuation. This liquidity risk is included in Liberty's liquidity risk framework. These assets are held both directly and indirectly through Liberty's majority shareholding in L2D.

As at 31 December 2021 R4 465million (31 December 2020 R4 310 million) of direct property exposure was held in the shareholder investment portfolio. In addition, shareholders are exposed to any mismatch between the return required by certain policyholder liabilities (cash type return) and the property return delivered by the Liberty Property Portfolio backing assets. As at 31 December 2021 these backing assets amounted to R3 821 million (2020: R2 700 million). Due to the illiquid nature of property assets, investments into or disinvestments from the Liberty property portfolio by policyholders result in a decrease or increase in shareholder exposure respectively.

4.10 Derivative instrument market risk

Certain group entities are parties to contracts for derivative instruments, mainly entered into as part of the dynamic hedging strategy used to manage asset/liability mismatches and to facilitate investment portfolio optimisation.

Instruments used to mitigate market risks include futures, options, swaps, swaptions and forward exchange contracts. Derivative instruments give rise to counterparty credit risk and operational risk, both of which are managed appropriately.

Derivative instruments are either traded on a regulated exchange, e.g. the JSE Equity Derivatives Market, or negotiated over-the-counter (OTC) as a direct arrangement between two counterparties. Instruments traded on the JSE Equity Derivatives Market are margined daily, with the JSE Equity Derivatives Market acting as the counterparty to each transaction. OTC instruments are only entered into with appropriately approved counterparties in terms of signed international swap and derivative agreements (ISDAs) and collateral support agreements (CSAs).

The group uses currency swaps to mitigate the risk of certain changes in cash flows arising from changes in foreign currency rates and uses hedge accounting to account for these transactions. Further detail on hedge accounting can be found within the group financial instruments note, note 10.6.

The fair value of derivative instruments held at 31 December is included in the held for trading and hedging categories of assets and liabilities in note 10.3 to the group's financial statements. Refer to note 10.5 for the maturity analysis of net fair value by derivative type.

4.11 Diversification benefits

The group's risk profile, and hence its capital requirements, benefits from the fact that various risks are not 100% correlated and as a result, it is unlikely that they crystalise simultaneously. In measuring and monitoring the risk profile, and associated capital requirements, allowance is made for this diversification benefit. Risk preferences may be adjusted from time-to-time to optimise the diversification benefit. Despite this, individual risks and the appropriateness of various models employed continue to be carefully monitored in recognition of the fact that correlations are inherently subject to wide estimation errors which tend to increase in times of significant stress. This results in residual risk being carried by the group.

Risk management (continued)

for the year ended 31 December 2021

5. Credit risk

5.1 Definition

Credit risk refers to the risk of loss or of adverse change in the financial position resulting, directly or indirectly, from fluctuations in the credit standing of counterparties and any debtors to which shareholders and policyholders are exposed. Credit risk is measured as a function of probability of default (PD), exposure at default (EAD) and the recovery rates (RR) post a default.

5.2 Taking of credit risk

Liberty has a strong credit risk sanctioning and monitoring capability. This capability enables Liberty to accept the risks inherent in the credit book. These credit risks are partially a function of Liberty's core business activities, but also as part of a deliberate decision by Liberty to add credit risk exposures to diversify the risks on the balance sheet and to generate attractive risk-adjusted returns for shareholders. Liberty prefers to take credit risk to back its long dated and relatively illiquid liabilities due to the risk adjusted returns it is able to achieve.

Looking forward, credit risks may be exacerbated by current and emerging macro-economic trends, weakening domestic business environment and the impact of the pandemic which may impact on the contribution of credit risk to Liberty's profit and loss.

5.3 Management and measurement

The board has delegated credit risk management to the group chief executive who, in turn, has delegated this responsibility to the GBSMC. The GBSMC has overseen the implementation of the group credit risk policy which is largely in line with the credit philosophy adopted by Standard Bank.

Day-to-day management of credit risk has been mandated to STANLIB Credit Alternatives Franchise which considers and, where appropriate, approves all credit risk taken for directly managed credit opportunities. The investment committee of STANLIB Credit Alternatives Franchise is made up of credit professionals with experience from the banking sector as well as independent members in order to ensure a robust credit process and independent decision-making.

Credit risk is subject to a robust credit analysis, review and approval process. After origination, exposures are closely monitored and steps taken to mitigate risks if a deterioration becomes evident.

Liberty group credit risk exercises oversight on the activities of the asset managers managing credit risk for Liberty under mandate.

STANLIB's independent compliance function monitors compliance by STANLIB's portfolio managers with credit limits set by its investment committees and investment restrictions specified either in client mandates or in applicable legislation, with appropriate escalation and reporting if required.

The GBSMC and client fund control committee are responsible for defining the credit characteristics of asset manager mandates supported by LibFin. The GBSMC is primarily responsible for decisions directly impacting shareholders but does consider the possible impact its decisions may have on policyholders. The client fund control committee, together with representatives from business, is primarily responsible for defining the credit characteristics of asset manager mandates on behalf of policyholders.

Regardless of whether the credit risk taken is for the risk and reward of the shareholders, third party investors or policyholders, Liberty recognises the need for credit to be originated and managed within a prudent and disciplined risk management framework. Where credit risk is for the risk and reward of policyholders, Liberty is still exposed to indirect consequences of the credit loss such as possible reputational damage, legal disputes and portfolio outflows.

Credit risk originated by business units (BUs) is managed by them. BUs are responsible for ensuring that the group credit risk policy is adopted, and that adequate systems, policies and procedures are put in place to meet the group's requirements.

The group risk function is responsible for oversight of all material credit risk. It establishes and defines the overall framework for the consistent governance, identification, measurement, monitoring, management and reporting of credit risk. Group risk also tracks concentrations and trends that may arise in the credit portfolio.

Significant shareholder and policyholder credit exposures are reported to GBSMC, GCROC and GRC. Shareholder exposures are subject to individual counterparty limits set by the group.

5.4 Characteristics of credit risk exposures

Through the investment activities of mandated asset managers, Liberty has largely been exposed to listed and more liquid credit instruments. However, the STANLIB Credit Alternatives Franchise mandate requires investment into illiquid credit assets, including exposure to unlisted and structured instruments, to benefit from higher returns and diversification. This is in line with the board approved credit strategy and risk appetite for the business.

The continued efforts of the STANLIB Credit Alternatives Franchise, together with the restructure of existing asset manager mandates in line with core competencies, have resulted in a further level of diversification and improved returns for the credit risks being taken in the credit portfolio. While group risk remains satisfied that the credit portfolio is sound, well positioned and within risk appetite levels, it is recognised that loss events may occur from time to time in a credit portfolio of this nature.

Overall, the credit risk portfolio as at 31 December 2021 remains heavily weighted to South African counterparties including government, state-owned enterprises and top tier South African banks. It also includes special purpose companies (e.g. securitisation and structured credit) and other corporate entities. In addition, the group is also exposed to underlying credit risk through investment in mutual funds, reinsurance, Liberty Two Degrees Limited, the property portfolio and investment policies.

5. Credit risk (continued)

5.5 Rating methodology

For the purposes of this report, standard rating classifications used by external ratings agencies have been applied.

Rating scale

Where applicable, internal ratings are mapped to equivalent external rating agencies' (Moody's and Standard and Poor's) rating scales. These external, globally recognisable rating categories are defined below.

Investment grade

A– and above	Strong to extremely strong capacity to meet financial commitments.
BBB	Adequate capacity to meet financial commitments, but vulnerable to severe adverse economic conditions.

Non-investment grade

BB	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.
Below BB	Vulnerable to adverse business, financial and economic conditions.

The above ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Not rated

The group is not restricted to investing purely in rated instruments, or where counterparties are rated, and accordingly invests in assets that offer appropriate returns after an internal assessment of credit risk. For most material investments in unrated instruments, or through unrated counterparties, internal ratings were undertaken. However, at any one time there will always be some unrated exposures, generally entered into through asset managers, where the internal ratings methodology has not been applied. This does not imply that the potential default risk is higher or lower than for rated assets.

Due to the extent of work required to obtain or prepare a credit rating, certain asset holdings (principally related to the consolidation of mutual funds) do have assets with underlying ratings, however they may be classified as not rated for practical reasons.

Exposure to prepayments, insurance and other receivables is predominantly not rated due to the large number of counterparties and the short period of credit exposure. This credit exposure is managed by BUs.

The loans reflected as not rated relate to loans granted by Liberty to policyholders, which are secured by their policies.

Pooled funds

The group invests in mutual funds through which it is also exposed to credit risk of the underlying assets in which the mutual funds are invested. The group's exposure to mutual funds is classified at fund level and not at the underlying asset level. Although mutual funds are not rated, fund managers are required to invest in credit assets within the defined parameters stipulated in the fund's mandate. These rules limit the extent to which fund managers can invest in unlisted and/or unrated credit assets and generally restrict funds to the acquisition of local currency investment grade assets.

Risk management (continued)

for the year ended 31 December 2021

5. Credit risk (continued)

5.6 Credit exposure

The following table provides information regarding the aggregated credit risk exposure of the group to debt instruments categorised by credit ratings (if available) at 31 December.

Rm	A- and above	BBB+	BBB	BBB-	BB+	BB	BB- and below	Not rated	Pooled funds	Total
2021										
Debt instruments	9 457	2 085	1 467	14 956	14 779	76 685	39 054	4 124		162 607
Listed preference shares	1		1	55			31	38		126
Unlisted preference shares	7				128			62		197
Listed term deposits	7 306	1 810	233	3 042	5 144	66 998	19 224	2 796		106 553
Unlisted term deposits	2 143	275	1 233	11 859	9 507	9 687	19 799	704		55 207
Loans								524		524
Mutual funds – interest-bearing instruments									35 488	35 488
Investment policies								992		992
Reinsurance assets	2 956	81						489		3 526
Derivatives and collateral deposits receivable	5 004	476		5 489	2 223	2 086	158	19		15 455
Prepayments, insurance and other receivables	2 047						8	3 457		5 512
Cash and cash equivalents	4 875	1 689	237	499	224	7 386	7 649	583		23 142
Total assets bearing credit risk	24 339	4 331	1 704	20 944	17 226	86 157	46 869	9 664	35 488	246 722
Local	14 456	3 142	1 328	18 135	14 183	83 244	44 370	5 903	30 835	215 596
Foreign	9 883	1 189	376	2 809	3 043	2 913	2 499	3 761	4 653	31 126
2020										
Debt instruments	9 321	2 951	3 764	17 911	8 914	70 111	37 424	6 212		156 608
Listed preference shares	1	34	4	7	8		40	41		135
Unlisted preference shares	5			92				65		162
Listed term deposits	6 554	1 948	2 176	747	3 248	61 048	18 836	3 468		98 025
Unlisted term deposits	2 761	969	1 584	17 065	5 658	9 063	18 548	1 827		57 475
Loans								811		811
Mutual funds – interest-bearing instruments									28 622	28 622
Investment policies								941		941
Reinsurance assets	2 623							459		3 082
Derivatives and collateral deposits receivable	7 495	1 213	23	11 887	18	2 438	419	10		23 503
Prepayments, insurance and other receivables	890							4 923		5 813
Cash and cash equivalents	4 432	1 915	285	710		5 857	3 786	1 647		18 632
Total assets bearing credit risk	24 761	6 079	4 072	30 508	8 932	78 406	41 629	14 192	28 622	237 201
Local	15 167	5 049	3 415	28 682	4 757	77 559	40 893	9 878	25 616	211 016
Foreign	9 594	1 030	657	1 826	4 175	847	736	4 314	3 006	26 185

5. Credit risk (continued)

5.6 Credit exposure(continued)

5.6.1 Characteristics of credit exposure

Shareholders' capital could be eroded by material credit risk events and the deteriorating macroeconomic environment. The table below has been included to provide insight as to the quality of the credit book to which shareholders are directly exposed as a result of the investment decision to include illiquid credit exposure as a backing asset for certain Liberty liabilities. This credit exposure is housed in the LibFin Markets Credit portfolio managed by the STANLIB Credit Alternatives Franchise.

Counterparty type (Rbn)	A- and above	BBB+	BBB	BBB-	BB+	BB	BB- and below	Pooled funds	Total
2021									
Bank			0.2	1.3	5.9	0.1	1.3		8.8
Corporate		0.2	0.5	15.7	6.5	3.1	3.4		29.4
Sovereign				0.3		0.8			1.1
State Owned Entity	0.6			0.7	1.8	0.7	2.6		6.4
Total	0.6	0.2	0.7	18.0	14.2	4.7	7.3		45.7
2020									
Bank				1.4	0.5	1.6	3.6		7.1
Corporate	0.1	0.4	1.6	14.5	5.3	4.0	2.1		28.0
Sovereign					1.0		0.2		1.2
State Owned Entity	0.7			3.6	0.2	0.9	2.7		8.1
Total	0.8	0.4	1.6	19.5	7.0	6.5	8.6		44.4

Exposure in the portfolio is largely to South African entities. The Corporate exposure in the portfolio is spread across a large number of entities. Exposure to banks is spread across all the major SA banks. The largest exposures to state owned entities are exposures to Transnet and Eskom.

5.7 Reinsurance assets

Reinsurance is used to manage insurance risk and consequently the group is exposed to the credit risk of the reinsurers.

A detailed credit analysis is conducted prior to the appointment of reinsurers. Cognisance is also taken of the potential future claims on reinsurers in the assessment process. Financial strength, performance, track record, relative size, ranking within the industry and credit ratings of reinsurers are considered when determining the allocation of business to reinsurers. In addition, efforts are made to appropriately diversify exposure by using several reinsurers. A review of these reinsurers is done at least annually.

5.8 Derivatives

A detailed credit analysis of all LibFin over-the-counter derivative counterparties is performed and approved by the STANLIB Credit Alternatives Investment Committee prior to any trading taking place. In principle, trading is limited to:

- Financial institution counterparties with a strong credit rating; and
- Financial institutions where Liberty has negotiated international swap and derivative agreements (ISDAs) and Credit Support Annexures (CSAs) with a zero threshold. Refer to note 10.4 Offsetting for details.

Wherever possible exchange traded derivatives are entered into by Liberty, or by agents acting for Liberty, as these offer Liberty protection through the exchanges' margining and settlement processes.

Derivative contracts are only entered into in accordance with applicable legislation.

5.9 Insurance and other receivables

The group has formalised procedures in place to collect or recover amounts receivable. In the event of default, these procedures include industry supported lists that help to prevent rogue agents, brokers and intermediaries from conducting further business. Full impairment is made for non-recoverability as soon as management is uncertain as to the recovery.

Investment debtors are protected by the security of the underlying investment not being transferred to the purchaser prior to payment. Established broker relationships and protection afforded through the rules and directives of the JSE Limited further reduce credit risk.

Notes 12 and 34 provide details of prepayments, insurance and other receivables and, in particular, details of negative fair value adjustments to property debtors as a consequence of the impact of the COVID-19 pandemic.

5.10 Capital requirements

The capital requirements allow for credit risk by increasing the current risk spreads on the assets proportionally by a specified amount assumed to occur in a severe credit risk event.

Risk management (continued)

for the year ended 31 December 2021

6. Liquidity risk

6.1 Definition

Liquidity risk is the risk that a legal entity cannot maintain, or generate, sufficient cash resources to meet its payment obligations, in full, as they fall due or can only do so at an unsustainable cost or at materially disadvantageous terms.

The group is exposed to liquidity risk in the event of heightened benefit withdrawals and risk claims where backing assets cannot be readily converted into cash. Liquidity risk also arises through collateral and margin calls related to derivative transactions used to hedge market risk.

6.2 Ownership and accountability

The group's liquidity risk policy establishes common principles of managing liquidity risk across the group and is approved by the GRC. The policy, including requirements in respect of risk metrics and contingency planning, is implemented under the oversight of the group liquidity risk function.

ALCO is charged with ensuring that liquidity risk remains within approved tolerance levels. The management of material liquidity risks of the group, which predominantly emanate from LGL, is delegated to LibFin.

6.3 Risk identification, assessment and measurement

The group's approach to measuring liquidity risk is aligned to international best practice standards. Risk identification applies to liquidity requirements that are known in advance as well as to unknown liquidity requirements that are typically contingent on the occurrence of another event. As a long-term insurance company, Liberty's liabilities are considerably less liquid than a bank's liabilities, which gives some general liquidity protection.

The identification of contingent liquidity requirements necessitates an assessment of relevant liabilities as well as new and existing product designs. Group risk is actively involved in reviewing new product designs to ensure a thorough understanding of the liquidity risk implications of each product. The GBSMC is required to approve any instances where new products are anticipated to introduce material liquidity risk onto the balance sheet.

Liquidity risk is primarily measured by means of a Liquidity Coverage Ratio (LCR). The LCR models 30-day and one-year liquidity stresses (relating to sustained cash outflows as a result of severe lapse, mortality and morbidity catastrophes, as well as financial market shocks) by comparing stressed net cash outflow requirements to available sources of high-quality liquid assets (HQLA), held as part of a liquid asset buffer. The liquid asset buffer consists of eligible asset types chosen based on their proven ability to generate liquidity under both normal and significantly stressed market conditions.

6.4 Risk management

LibFin manages the group's material liquidity risks in accordance with applicable regulations and the liquidity risk policy, as approved by the GRC. The risk is managed within approved risk limits and with oversight from group risk.

Liquidity risk arising from contractual agreements and policyholder behaviour is primarily managed by matching liabilities with backing assets that are of similar maturity, cash flow profile and risk nature.

A variety of tools are available to manage remaining cash flow mismatches (which include collateral and margin calls as a result of market moves from derivative trades used to match liabilities). These tools enable non-cash liquid assets, held in the liquid asset buffer, to be easily converted into cash.

Where the group purchases backing assets that have predictable cash flow profiles, but which give rise to structural liquidity mismatches between projected cash inflows and outflows, the liquidity position is actively managed to prevent any undue future liquidity strains.

In addition to the active management of liquidity risk, a liquidity contingency plan (LCP) has been approved by the ALCO and serves as a pre-approved action plan to be executed during a liquidity stress event. The LCP is designed to protect stakeholder interests and provide confidence that the group can meet its liquidity requirements in a time of crisis.

The group has defined insurer-specific early warning indicators (EWI) that are monitored to enable management to pro-actively identify and evaluate risk factors that may give rise to a liquidity risk event. These indicators are monitored per specified frequencies and tolerance levels.

The EWI process and LCP have a clear response strategy that increases the likelihood that management will be able to respond appropriately to mitigate any material potential liquidity impact in advance of an event.

The relative stability of financial markets in 2021 meant that the group's LCR remained within approved limits throughout 2021. As at 31 December 2021 the LCR metric indicated a healthy surplus of sources of liquidity available to meet stressed outflows.

6.5 Risk reporting

Liquidity risk reports are produced daily and are used to help manage liquidity risk. Detailed reporting is provided to the ALCO with additional reporting being provided to both the GCROC and the GRC on a quarterly basis.

6.6 Liquidity profile of assets

The majority of Liberty's assets match its liabilities from a liquidity perspective, including both investment-linked business and investment guarantees.

For certain long-term liabilities, such as life annuities, Liberty has consciously invested in less liquid assets, such as unlisted credit, which aim to match the duration of the underlying liability's expected cash flow profile, in order to enhance returns and achieve diversification benefits.

Liberty's investments in subsidiaries, including STANLIB and Liberty Two Degrees, are treated as illiquid assets given the strategic nature of these investments.

In the case of unlisted property assets backing property liabilities, it is not always practical to realise assets as claim payments arise, due to the relatively small number of high-value properties and their illiquid nature. For this reason, property exposures are afforded specific attention by the Property Investment Executive committee (PIE) and orderly sales and purchases are managed within the mandate approved by the GBSMC.

6. Liquidity risk (continued)

6.6 Liquidity profile of assets (continued)

The Liberty property portfolio continued to experience policyholder outflows in 2021 resulting in increased exposure to this asset class for shareholders. The overarching liquidity risk position of the group remains strong and the increasing property exposure does not pose any near-term threat to risk appetite.

The table below breaks down the group's assets according to time to liquidate. It is worth noting that, in a stressed environment, the market value of these assets is likely to be negatively affected.

	2021		2020	
Financial, property and insurance asset liquidity	**%**	**Rm**	**%**	**Rm**
Liquid assets (realisable within one month e.g. cash, listed equities, term deposits)	**80**	**405 447**	76	357 021
Medium assets (realisable within six months e.g. unlisted equities, certain unlisted term deposits)	**13**	**65 403**	16	76 717
Illiquid assets (realisable in excess of six months e.g. investment properties)	**7**	**36 644**	8	38 955
Total	**100**	**507 494**	100	472 693

6.7 Liability profile

Liberty projects both expected and stressed cash flow profiles of its liabilities and ensures that sufficient high-quality liquid assets are held to meet its liquidity requirements.

Liquidity risk arises mainly as a result of changes to expected lapse, mortality and longevity experience relative to assumptions, client disinvestment from investment portfolios housing illiquid assets and market moves that result in margin and collateral calls.

Policy terms and conditions generally limit the extent of Liberty's liquidity exposure by applying notice periods for large disinvestments and/or restricting claims to the value at which assets are realised in the event of sale.

The tables below illustrate the maturity profile of the group's financial instrument liabilities and the expected liability cash flows arising out of long-term insurance and investment contracts. Note 20 of the annual financial statements shows the anticipated settlement profile of short-term insurance liabilities on a best estimate basis.

Risk management (continued)

for the year ended 31 December 2021

6. Liquidity risk (continued)

6.7 Liability profile (continued)

6.7.1 Maturity profile of financial instrument liabilities

The table below summarises the maturity profile of the financial instrument liabilities of the group based on the remaining undiscounted contractual obligations. These figures will be higher than amounts disclosed in the statement of financial position (where the effect of discounting is taken into account) except for short duration liabilities. Policyholder liabilities under investment contracts, investment contracts with DPF and insurance contracts are shown in a separate table below. Derivative financial instrument liabilities and lease liabilities are shown in a separate table in note 10.5 and note 22 respectively.

	Contractual cash flows (excluding policyholder liabilities, derivative liabilities and lease liabilities)						
Rm	0 - 3 months[1]	3 - 12 months	1 - 5 years	5 - 10 years	10 - 20 years	Variable	Total
2021							
Subordinated notes	78	1 274	5 242				6 594
Commercial paper	1 004						1 004
Redeemable preference shares[2]						5	5
Loan facilities	14	969	1 366				2 349
Third-party financial liabilities arising on consolidation of mutual funds	72 734						72 734
Repurchase agreements liabilities	2 727						2 727
Collateral deposits payable	3 261						3 261
Insurance and other payables	14 085	92	20				14 197
Total	93 903	2 335	6 628			5	102 871
Percentage portion (%)	91	2	7				100
2020							
Subordinated notes	81	738	4 935	1 591			7 345
Commercial paper	1 205						1 205
Redeemable preference shares[2]	6	60	263	456	1 020	5	1 810
Loan facilities		745	817	604			2 166
Third-party financial liabilities arising on consolidation of mutual funds	61 505						61 505
Repurchase agreements liabilities	6 555	703					7 258
Collateral deposits payable	4 254						4 254
Insurance and other payables	13 196	1 740	18				14 954
Total	86 802	3 986	6 033	2 651	1 020	5	100 497
Percentage portion (%)	86	4	6	3	1		100

[1] *0 – 3 months are either due within the time frame or are payable on demand.*

[2] *The amount shown under 'Variable' has no fixed maturity date. However, this instrument is redeemable with a two year notice period at the option of the company or the holder.*

6.7.2 Expected cash flows from long-term insurance business

The tables below give an indication of liquidity needs in respect of cash flows required to meet obligations arising from long-term insurance business.

The amounts in the investment-linked liabilities cash flow table represent the expected cash flows arising from the value of units, allowing for future premiums (excluding future non-contractual premium increases), growth, benefit payments and expected policyholder behaviour. The amounts in the non-investment-linked liability cash flow table represent the expected cash flows from the non-investment-linked liabilities.

Undiscounted cash flows are shown, and the effect of discounting is taken into account to reconcile to total liabilities and assets. For investment-linked contracts, the cash flows relating to the DPF portion are assumed to occur in proportion to the cash flows of the guaranteed units. The cash flows for the guaranteed element and the non-guaranteed element of insurance contracts with DPF have been combined and are included in the investment-linked section of the cash flow table.

In respect of annually-renewable risk business (namely lump sum group risk business, group income disability business and credit life business) no allowance has been made for the expected cash flows except in respect of incurred but not reported claims (IBNR) and income disability annuities in payment where applicable.

6. Liquidity risk (continued)

6.7 Liability profile (continued)

6.7.2 Expected cash flows from long-term insurance business (continued)

The liabilities in respect of embedded derivatives are assumed to run off in the same proportion as the investment-linked cash flows that give rise to them.

Expected cash flows (Rm)	Insurance contracts					
	Policyholder liabilities	Policyholder assets	Reinsurance assets and liabilities	Investment contracts with DPF	Investment contracts	Total
2021						
Investment-linked liabilities						
Within 1 year	13 788			321	8 307	22 416
1 – 5 years	50 572			156	16 652	67 380
5 – 10 years	25 139			920	14 538	40 597
10 – 20 years	47 660			2 359	29 020	79 039
Over 20 years	37 671			5 376	52 822	95 869
Total investment-linked liabilities	174 830			9 132	121 339	305 301
Non-investment-linked liabilities/(assets)						
Within 1 year	9 351	(552)	(993)		428	8 234
1 – 5 years	25 150	(5 632)	(1 431)		2 703	20 790
5 – 10 years	18 907	(2 320)	(1 114)		40	15 513
10 – 20 years	32 817	7 194	(530)		(3)	39 478
Over 20 years	62 673	66 046	5 387		(13)	134 093
Effect of discounting cash flows	(93 784)	(67 604)	(4 114)		(547)	(166 049)
Total non-investment-linked liabilities/(assets)	55 114	(2 868)	(2 795)		2 608	52 059
Total long-term insurance policyholder liabilities	229 944	(2 868)	(2 795)	9 132	123 947	357 360
Total surrender value of long-term insurance policyholder liabilities	183 943			8 658	123 240	315 841
2020						
Investment-linked liabilities						
Within 1 year	15 138			421	7 883	23 442
1 – 5 years	55 892			10	16 958	72 860
5 – 10 years	16 557			912	13 121	30 590
10 – 20 years	34 420			2 468	23 322	60 210
Over 20 years	32 030			5 523	42 952	80 505
Total investment-linked liabilities	154 037			9 334	104 236	267 607
Non-investment-linked liabilities/(assets)						
Within 1 year	7 132	(286)	(736)		501	6 611
1 – 5 years	27 090	(6 088)	(1 152)		2 698	22 548
5 – 10 years	18 249	(3 153)	(929)		28	14 195
10 – 20 years	33 815	5 092	(638)		7	38 276
Over 20 years	73 565	65 906	3 756		(3)	143 224
Effect of discounting cash flows	(104 984)	(66 521)	(2 680)		(513)	(174 698)
Total non-investment-linked liabilities/(assets)	54 867	(5 050)	(2 379)		2 718	50 156
Total long-term insurance business liabilities/(assets)	208 904	(5 050)	(2 379)	9 334	106 954	317 763
Total surrender value of long-term insurance policyholder liabilities	166 754			9 026	106 675	282 455

Risk management (continued)

for the year ended 31 December 2021

6. Liquidity risk (continued)

6.8 Capital requirements

The group's view is that liquidity risk is more appropriately managed by means of a sophisticated liquidity risk management framework such as that outlined above rather than by holding additional capital. Holding a large amount of capital may provide only a small buffer to an extreme liquidity event where assets and liabilities are not well matched. It is much more effective to hold a liquid asset buffer (which may come as an opportunity cost) to ensure sufficient liquidity in a stressed event.

As Liberty is a subsidiary of Standard Bank Group Limited, it is also included in the group wide liquidity risk stress testing and planning undertaken by Standard Bank.

7. Operational risk

7.1 Definition

Liberty defines operational risk as the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

Whilst the definition includes business conduct, financial crime, compliance and legal risk, these receive additional focus and are hence considered as separate risk categories within Liberty's risk taxonomy. Operational risk excludes risks arising from strategic decisions. Details on key operational risks are provided.

7.2 Approach to managing operational risk

Operational risk exists in the natural course of business activities. The approach to managing operational risk recognises that it is neither possible nor commercially viable to eliminate all operational risk and hence applies fit-for-purpose mitigation practices to achieve an optimal operational risk profile. Operational risk is not typically taken in exchange for reward. However, management seeks as far as possible to limit any negative financial, reputational, customer, staff and regulatory impact.

The operational risk policy is aligned to the group's risk management framework and sets out minimum requirements for identification, assessment, management, monitoring and reporting of operational risk. This is achieved through developing a robust understanding of the risks by conducting self-assessments, measuring and monitoring key indicators, managing operational risk events (including near misses) and taking appropriate actions to proactively identify and mitigate risks.

Management of operational risk is the responsibility of every BU and first-line team. They are guided and supported by various risk specialists that are part of an operational risk function at the centre. The operational risk function at the centre is independent from business line management and is part of the second line of defence reporting to the group CRO.

7.3 Insurance cover for operational risk

In addition to controls in place to mitigate operational risks, a comprehensive short-term insurance programme is in place which addresses the diversified requirements of the group. The programme includes the following cover:

- Directors' and officers' liability
- Crime and professional indemnity
- Cyber cover
- Public liability
- All risks for assets
- Motor fleet
- Fidelity cover for retirement funds and trustees.

7.4 Capital requirements

An allowance for operational risk is made in the calculation of the SCR.

7.5 Reporting

The preparation of quarterly risk reports forms an integral part of monitoring the group's overall operational risk profile. The content of reports is subject to robust review and challenge through the GCROC, GITC and GRC.

Operational risk reports include information relating to:

- Key operational risks
- Material operational risk incidents
- Key indicators
- Control environment.
- Assurance of adequacy of mitigation actions.

7.6 Management of key operational risks

Operational risk management remains a priority for Liberty and is managed using sound operational risk practices, processes and structures. While the COVID-19 crisis has resulted in an elevated level of operational risk, Liberty maintained focus on identifying and reviewing the risks posed by the pandemic throughout 2021 and appropriately mitigated and managed risks using, amongst others, the business continuity and crisis management plans that are in place. Liberty continues leveraging its technology assets and capabilities to remain a fully productive operation within the constraints of lockdown restrictions. Approximately 90% of the workforce continued to operate in a remote and flexible work environment for the most part of 2021.

The key focus throughout this pandemic crisis has been to ensure that Liberty continues to deliver on its commitments to customers, advisers, employees and the wider Liberty community, through maintaining sound business practices, processes, governance, controls and appropriately managing operational risks.

As the COVID-19 crisis continues, this operational risk remains a primary area of focus, ensuring that the organisation continues to remain resilient beyond the crisis.

People risk

People risk is defined as the risk of an adverse business impact arising from inadequate practices for the recruitment, development, management and/or retention of employees, contractors and advisers. It also includes the risk of business impact due to insufficient people capacity, capabilities, skills and/or inappropriate behaviour.

7. Operational risk (continued)

7.6 Management of key operational risks (continued)

The group continues to place significant focus on its people. There are processes in place to continuously assess (through surveys, employee engagement and research) and enhance policies and practices employed to ensure that suitable people are attached to roles and there is sufficient support for them to perform and grow. The availability of appropriately qualified and skilled individuals in the market remains a challenge. Liberty has initiatives in place to continue building the skills base internally by ensuring robust development plans and opportunities for individuals, mitigating the risks around capacity and resourcing.

COVID-19 continued to have a pronounced operational risk impact on employees, both in their personal capacities as well as in their capacities as employees. This includes risks associated with working remotely, personal pressures and the risk of mental health challenges and burnout. Mitigating this risk continued to be one of the priority focus areas from early in the COVID-19 response process. The operational risks relating to people are acutely acknowledged and continue to be addressed by providing high levels of personal, emotional and vocational support through various mechanisms, driven by the group's Human Capital function and enabled through the leadership within Liberty. The third COVID-19 infection wave in the middle of 2021 had a noticeable impact on staff capacity, however, sufficient mitigation plans were put in place timeously to ensure the impact on delivery remained within acceptable levels.

Management continues to maintain lists of identified individuals who can step into all key roles should incumbents fall ill, in order to minimise continuity risks.

Information security risk (including cyber risk)
Liberty defines information security risk as the risk of intentional and/or unauthorised use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information. The global cyber risk threat is dynamic and continuously changing.

Liberty's information security teams monitor cyber threats, amongst others, through a well-equipped security operations centre. There is continuous engagement and collaboration between the information security team and the operational risk team to ensure risks are considered more broadly than only from a technology perspective. The GITC and GRC monitor and provide oversight on risks related to technology and information assets, including cyber security, ensuring integration into the group's broader risk management system.

Liberty's information security and cyber program is continuously enhanced and has been delivering according to plan. Liberty follows a risk-based approach to cybersecurity, being proactive whilst also ensuring a robust response capability. As a result, the program has invested in detection, prevention, testing, threat intelligence and response which is regularly tested. The goal of the risk-based cybersecurity program is appropriate risk reduction. The cybersecurity program aligns and leverages Standard Bank's extensive capability which forms an important part of Liberty's cybersecurity strategy's collaboration pillar. This includes participation in initiatives, simulations and testing, leveraging of tools and sharing of threat intelligence.

The pandemic has seen an increase in cyber activity across all countries, industries, organisations and even individuals. Work-from-home practices and the related extension of the Liberty virtual network has been a key focus for the information security teams, who have increased security measures such as multi-factor authentication as well as increased monitoring activities and ensured response capabilities remained in place and on high alert at all times. Liberty continues to prevent and defend against attacks and remains proactive in ensuring that all tools and resources remain updated and relevant to the changing threat landscape.

Information Technology risk
Information Technology risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of information and technology infrastructure and applications within the group.

The group is highly dependent on and constantly increasing its use of information and technology to ensure high quality of operations and customer service. Increasing legal and regulatory compliance requirements, and the importance of IT in enabling such compliance, heightens the importance of managing information and technology operations within an acceptable risk profile.

Risks are effectively managed through the three lines of defence approach, with a specialised robust IT risk capability in place within the operational risk function and an IT Governance office within the IT function to ensure adequate focus on this key risk. These risks are mitigated through various controls, which are implemented and closely monitored by management. The group continuously invests in its systems and processes. Actions to reduce the likelihood of risks materialising are identified and accountabilities for remediation are driven by management.

The pandemic has reinforced the group's high dependency on an increased use of information and technology to ensure high quality of operations and customer service. The technology assets and capabilities invested in allow the organisation to maintain resilient business operations. The IT disaster recovery capability for the organisation, which is rigorously tested on a regular basis, remains resilient amid the challenges of the pandemic.

Third party risk
Third party risk is defined as the risk of Liberty's engagements with third-party suppliers resulting in reputational damage, operational and legal risk. As organisations globally become more connected and value chains are transformed, managing third party relationships and dependencies has become more critical. These third-parties include, amongst others, business and technology partners, suppliers, outsourcing partners, managed services vendors and other related business partners. Liberty has made concerted efforts to ensure appropriate focus on third party risk through robust contracting and onboarding processes, and continuous relationship management, monitoring and oversight processes. With the effective implementation of the Protection of Personal Information Act (PoPIA) there was additional focus on embedment of data privacy in third-party contracts.

The pandemic necessitated developing very close operational working relationships with key third-parties and supporting them to maintain continuity of operations. The change in organisational value chains and the increased reliance on partnerships with large third-party companies (including Salesforce, Amazon Web Services (AWS) and Microsoft) further necessitated an end-to-end review of third-party management processes which will continue in 2022.

Risk management (continued)

for the year ended 31 December 2021

7. Operational risk (continued)

7.6 Management of key operational risks (continued)

Explicit and focused additional consideration for cybersecurity is being undertaken in light of increased potential for breaches due to the pandemic, including the rollout of an automated cyber security assessment for all critical suppliers. The assessments provide Liberty with an enhanced understanding of the cyber posture of third-parties.

Operational process risk

Operational process risk is the risk of operational processes failing or not being effectively executed, resulting in errors, incorrect payment or delays in processing of transactions. Operational process risk, specifically related to risk in operational transaction processes that may impact service to customers and advisers, remained an area of key focus and was monitored closely through various risk and control practices.

Specific consideration was given to ensuring that processes that required changes, due to the changing nature of operations through the lockdown period were appropriately executed and impacts to customers, advisers and the business were appropriately managed.

Financial control risk

This is defined as the risk of inadequate or ineffective financial and accounting processes/controls, management and oversight resulting in a loss and incorrect decision making and reporting. Liberty has well established financial, actuarial and tax controls together with balance sheet reconciliation and substantiation processes to mitigate this risk. The adequacy and effectiveness of these controls are reviewed by the head of the actuarial control function as well as internal and external audit.

Liberty continues to invest in its financial control infrastructure to mitigate this risk.

Physical asset risk

Liberty defines physical asset risk as the risk of loss, damage or injury to people, property or reputation from natural disaster or other events across all its geographical locations.

Managing Liberty's properties during the pandemic has included, amongst others, maintaining processes and protocols for social distancing, enhanced/deep cleaning, hygiene and infection management protocols, security and screening, implementing and monitoring COVID-19 related regulatory compliance, health and safety protocols and closure and subsequent controlled re-opening of various Liberty occupied buildings, including walk-in-centres, branches, insurance medical testing facilities and infrastructure facilities following a risk based approach. Liberty has acted with appropriate caution to manage the physical environment closely throughout the pandemic and has further announced the implementation of mandatory vaccination for employees in the South African operations using Liberty's premises. Longer term interventions and building alterations to ensure fit for purpose physical environments to cater for changing work practices are currently underway.

In addition, Liberty maintains an alternate recovery site capability, which is an additional control for continuity and in support of physical asset risk.

8. Business conduct risk

8.1 Definition

Liberty defines business conduct risk as the risk of loss, whether qualitative or quantitative, caused by the inappropriate behaviour of individuals, including employees, financial advisers and third-party service providers, or of Liberty itself, that results in poor customer outcomes, causes detriment to the financial institution or has an adverse impact on the market.

8.2 Approach to managing business conduct risk

Liberty places the customer at the heart of everything it does and operates in a manner where fair play and ethical behaviour underpin all business activities and relationships. Liberty has no appetite for deliberately or knowingly breaching legislative, regulatory or internal policy requirements.

Business conduct risk has evolved not only to include the risk of delivering poor outcomes to customers, but also the risk of loss caused by the behaviour of employees, advisers, intermediaries or third-party service providers. The head of business conduct risk provides second line assurance for this risk type. All risks that may influence the customer outcome across the value chain are dealt with as part of this risk type, including aspects such as product design, approval of marketing material, policyholder investment performance, customer complaints and claims management. The group customer fairness committee, supported by customer fairness committees in each BU, assists in achieving fair outcomes for all Liberty's customers.

Against the backdrop of the COVID-19 pandemic, focus remains on ensuring fair outcomes to customers, providing customers with appropriate information to enable informed decision-making, and further strengthening the conduct risk framework. In the current climate it is important to ensure that sound decision-making principles continue to be followed and that Liberty focuses on getting basic principles right, as failure to do so could lead to poor outcomes for customers (and the business) in the short- and long-term. The digitization of the advice journey is a key mitigant in ensuring appropriate customer outcomes.

8.3 Risk reporting

The preparation of quarterly business conduct risk reports forms an integral part of monitoring the group's overall business conduct risk. The content of reports is subject to robust review and challenge through the various governance structures in the organisation. Reports include information relating to key business conduct risks, including material incidents, as well as broader conduct risk themes which the business is currently managing.

8.4 Key business conduct risks in 2021

Key business conduct risk themes which have been a focus in 2021, some of which have intensified in light of the COVID-19 pandemic include:

- Advice Risk – The risk of providing inappropriate advice or not being able to demonstrate that advice was suitable at the time it was provided;
- Communication – Proactive communication with financial advisers, intermediaries, customers and other stakeholders in respect of general updates as well as COVID-19 pandemic specific information such as premium relief options and other impacts (e.g. impact of the COVID-19 pandemic on investment values) is paramount in managing expectations and empowering customers to make sound financial decisions.
- Claims and Complaints Management – Taking actions that prepare the business to handle increased claims and complaints volumes as a result of the COVID-19 pandemic, while maintaining service levels.
- Legacy and Complexity Management – Complex products and the wide range of products sold over time result in elevated conduct risk.

9. Compliance and Legal risk

This is the risk of loss, including legal or regulatory sanctions or damage to reputation resulting from: the failure to comply with relevant legal, statutory, supervisory or regulatory requirements; inadequacy, inaccuracy or absence of written agreements; or any type of financial crime.

Compliance risk
This is defined as the risk of legal or regulatory sanctions, financial loss or damage to reputation that Liberty may suffer as a result of its failure to comply with statutory, supervisory and regulatory requirements applicable to its financial products and services.

Accountability for adherence to Liberty's statutory, supervisory and regulatory obligations rests with management. The Group Compliance function provides independent oversight and assurance to both management and the board on the status of compliance within the organisation. Collectively with Group Compliance and Legal, Liberty keeps abreast of all current and impending legislative requirements. The COVID-19 pandemic led to a heightened level of oversight from regulators with a firm expectation of compliance to the regulations and directives issued in line with the Disaster Management Act, 2002. Liberty has ensured that statutory, supervisory and regulatory obligations have been met. As the pandemic evolves and further regulatory requirements unfold, Liberty is proactively implementing measures to limit infections and ensure compliance to all regulatory requirements.

Liberty seeks positive and constructive engagement with its regulators and policymakers, both directly and through appropriate participation in industry forums, to partner with them in ensuring optimal regulatory outcomes for the industry and all its stakeholders. Formal reporting procedures to all regulators are undertaken in line with Liberty's regulatory obligations.

Financial crime risk
This is defined as the risk of economic loss, reputational impact and regulatory sanction arising from any type of financial crime against the group. Financial crime includes fraud, theft, money laundering, cyber-crime, bribery, corruption, collusion and misconduct by staff, customers, suppliers, business partners, stakeholders and third parties.

The risk of financial crime has been elevated through the crisis partly as a result of increased economic pressure on individuals. Financial crime risk is managed through a combination of specialist group-wide forensics and compliance capabilities and by strengthening the risk culture to pro-actively mitigate risks and manage incidents. Focus is placed on ensuring robust prevention and detection controls are in place and are continuously enhanced, based on internal and external trends. Regular engagements with both regulatory bodies and industry partners take place to ensure that current trends, applicable threats and operational methods are shared.

10. Concentration risk

10.1 Introduction

Concentration risk is the risk that the group is exposed to financial loss which, if incurred, would be significant due to the aggregate (concentration) exposure the group has to a particular asset, counterparty, customer or service provider.

In addition to concentration risks detailed in previous sections, the group has identified the risks detailed below.

10.2 South Africa

The group was founded in South Africa over 60 years ago and has, during this time, concentrated mainly on providing risk and investment products to South African customers. Consequently, both the group's asset base and liabilities contain significant South African sovereign risk. As such a sovereign debt restructure or default would pose significant risks to the sustainability of the business as well as to the wider economy.

In July 2021 South Africa experienced violent protests with looting of shops and businesses and burning down of many properties, mainly in the provinces of KwaZulu-Natal and Gauteng. Liberty's properties were not directly impacted by the July 2021 civil unrest.

Section 4.9.2 and note 27.1 to the annual financial statements summarise the exposures to foreign currency and indicate the rand concentration risk.

Risk management (continued)

for the year ended 31 December 2021

10. Concentration risk (continued)

10.3 Standard Bank risk concentration

Standard Bank Group Limited is Liberty Holdings Limited's holding company. Normal credit processes are followed before any asset exposure is entered into with Standard Bank.

The following table summarises the group's exposure to Standard Bank for each applicable asset category:

	2021			2020		
Rm	Overall group investment	Exposure to Standard Bank	%	Overall group investment	Exposure to Standard Bank	%
Equity instruments	109 876	1 863	1,7	103 089	1 834	1,8
Debt instruments	162 607	16 312	10,0	156 608	15 538	9,9
Cash and cash equivalents	23 142	7 776	33,6	18 632	6 322	33,9
Derivative assets[1]	12 730	3 013	23,7	19 955	4 852	24,3
Collateral deposits receivable	2 725	487	17,9	3 548	1 083	30,5
Total	311 080	29 451	9,5	301 832	29 629	9,8
Derivative liabilities[1]	(11 485)	(1 815)	15,8	(18 105)	(2 910)	16,1
Collateral deposits payable	(3 261)	(1 538)	47,2	(4 254)	(2 256)	53,0
Financial liabilities	(8 644)	(1 267)	14,7	(10 183)	(1 108)	10,9

[1] *Due to netting agreements in place with Standard Bank Group Limited, the group's exposure is limited to the net asset/liability value.*

Liberty is comfortable with this level of concentration to Standard Bank as much of the risk (and return) has been passed on to customers.

In the ordinary course of business the group invests in various mutual funds which in turn may have some exposure to Standard Bank. The group does not control these mutual funds. Consequently, it has not been deemed necessary to quantify the aggregate Standard Bank exposure in each mutual fund.

10.4 Property Sector Concentration

Through Liberty's investments into direct property for the benefit of policyholders and shareholders, as well as its strategic holdings of Liberty Two Degrees Limited shares, Liberty has a concentrated exposure to the South African property sector, primarily prime retail space. See section 4.9.3 above.

10.5 Asset manager allocation

The group engages the services of the following asset managers who manage assets on its behalf:

	2021		2020	
	%	Rm	%	Rm
STANLIB (subsidiary)[1]	61	312 208	62	287 631
Self managed including LibFin business unit	25	127 502	25	119 951
Liberty Two Degrees Ltd	6	29 314	6	29 598
Other	8	38 470	7	34 968
Total financial, property and insurance assets	100	507 494	100	472 148

[1] *This includes assets managed by other asset managers utilising Stanlib Linked Investment Services Provider platform.*

Risks associated with asset managers are:

- poor fund performance resulting in the reduced ability of the group to retain and sell investment-linked products;
- adoption of poor credit policies exposing the group to undue credit risk;
- inadequate ability to manage the relationship between the return on risk capital for the risk being taken at a granular level; and
- illiquidity of instruments invested in which could result in value destruction should these investments need to be realised in the short-term.

These aspects are considered and monitored by the client fund control committee and the GBSMC.

11. Sensitivity analysis

The group's earnings and available capital are exposed to insurance and market risks amongst others through its insurance and asset management operations. Assumptions are made in respect of the market and insurance risks in the measurement of policyholder contract values. This section provides sensitivity analyses to changes in some of these variables.

The sensitivities presented are calculated at a point in time and applied consistently across the financial position of the group. In many cases changes to certain economic or policyholder behaviour assumptions do not result in linear impacts to policyholder contract values and are not always consistent in the direction of impact to ordinary shareholders' equity. For example, increases to withdrawal rates may reduce ordinary shareholders' equity for investment products, but increase it for certain sub-sets of risk products. The group follows a dynamic asset/liability matching strategy (within the risk appetite constraints set by the board). The nature of the exposures and associated hedging instruments lead to non-linear sensitivity impacts. Caution is therefore advised in interpreting these sensitivity disclosures in earnings or capital resilience analyses.

The upper and lower sensitivities chosen reflect management's judgement of a reasonably likely annual possible change in the respective variable on a through the economic cycle basis. The sensitivity analysis does not cover extreme or irregular events that may occur, but extreme sensitivities are considered by the GRC and are used in the calculation of capital requirements.

The table below provides a description of the sensitivities that are provided on insurance risk assumptions.

Insurance risk variable	Description of sensitivity
Assurance mortality	A level percentage change in the expected future mortality rates on assurance contracts
Annuitant longevity	A level percentage change in the expected future mortality rates on annuity contracts
Morbidity	A level percentage change in the expected future morbidity rates
Withdrawal	A level percentage change in the expected future withdrawal rates
Expense per policy	A level percentage change in the expected maintenance expenses

Insurance risk sensitivities are applied as a proportional percentage change to the assumptions made in the measurement of policyholder contract values.

The table below provides a description of the sensitivities provided on market risk assumptions.

Market risk variable	Description of sensitivity
Interest rate yield curve	A level percentage change in the interest rate yield curve
Implied option volatilities	A change in the implied short-term equity, property and interest rate option volatility assumptions
Equity price	A change in local and foreign equity prices
Rand currency	A change in the ZAR exchange rate to all applicable currencies

Sensitivities on expected taxation and on long-term expense inflation assumptions have not been provided. Refer to note 28.6.1 for various property sensitivities.

The equity price and rand currency sensitivities are applied as an instantaneous event at the financial position date with no change to long-term market assumptions used in the measurement of policyholder contract values. In other words, the assets are instantaneously impacted by the sensitivity on the financial position date. The new asset levels are applied to the measurement of policyholder contract values, where applicable, but no changes are made to the prospective assumptions used in the measurement of policyholder contract values. The interest rate yield curve and implied option volatility sensitivities are applied similarly but the assumptions used in the measurement of policyholder contract values that are dependent on interest rate yield curves and implied option volatilities are updated.

Over a reporting period, assets are expected to earn a return consistent with the long-term assumptions used in the measurement of policyholder contract values. The instantaneous sensitivities applied at the financial position date show the impacts of deviations from these long-term assumptions (e.g. the increase in the equity price sensitivity shows the impact of assets earning the sensitivity amount in excess of the long-term equity return assumption).

The market sensitivities are applied to all assets held by the group (and not just assets backing the policyholder contract values). Each sensitivity is applied in isolation with all other assumptions left unchanged.

The table below summarises the impact of the change in the above risk variables on policyholder contract values and on ordinary shareholders' equity and attributable profit after taxation. The market risk sensitivities are net of risk mitigation activities as described in the market risk section. Consequently, the comparability to the previous year is impacted by the level of risk mitigation at the respective financial position dates.

Risk management (continued)

for the year ended 31 December 2021

11. Sensitivity analysis (continued)

Assumption description Rm	Change in variable %	Gross of reinsurance impact on policyholder contract values	Net of reinsurance impact on policyholder contract values	Impact on ordinary shareholders' equity and attributable profit after taxation
2021				
Insurance assumptions				
Mortality				
Assured lives	+2	531	421	(303)
	-2	(533)	(424)	305
Annuitant longevity	+4[1]	348	348	(251)
	-4[2]	(335)	(335)	241
Morbidity	+5	844	690	(497)
	-5	(840)	(687)	495
Withdrawals	+8	436	455	(327)
	-8	(467)	(489)	351
Expense per policy	+5	491	491	(355)
	-5	(488)	(488)	356
Market assumptions				
Interest rate yield curve	+12	(6 625)	(6 709)	(282)
	-12	8 129	8 195	150
Option price volatilities	+20	41	41	23
	-20	(12)	(12)	6
Equity prices	+15	24 691	24 691	813
	-15	(24 936)	(24 936)	(764)
Rand exchange rates	+12[3]	(8 964)	(8 964)	(528)
	-12[4]	8 965	8 965	560

Stresses have not been applied to COVID-19 specific assumptions. Additional disclosures relating to sensitivities on these assumptions are provided in the "Key judgements in applying assumptions on application of accounting policies" section.

(1) *Annuitant life expectancy increases i.e. annuitant mortality reduces.*

(2) *Annuitant life expectancy reduces i.e. annuitant mortality increases.*

(3) *Strengthening of the rand.*

(4) *Weakening of the rand.*

11. Sensitivity analysis (continued)

Assumption description Rm	Change in variable %	Gross of reinsurance impact on policyholder contract values	Net of reinsurance impact on policyholder contract values	Impact on ordinary shareholders' equity and attributable profit after taxation
2020				
Insurance assumptions				
Mortality				
Assured lives	+2	510	411	(296)
	-2	(512)	(413)	297
Annuitant longevity	+4[1]	353	353	(254)
	-4[2]	(340)	(340)	245
Morbidity	+5	804	660	(475)
	-5	(800)	(658)	474
Withdrawals	+8	454	467	(336)
	-8	(486)	(502)	360
Expense per policy	+5	466	466	(338)
	-5	(465)	(465)	337
Market assumptions				
Interest rate yield curve	+12	(5 822)	(5 889)	(348)
	-12	7 223	7 274	239
Option price volatilities	+20	88	88	(42)
	-20	(73)	(73)	33
Equity prices	+15	21 206	21 206	1 111
	-15	(21 288)	(21 288)	(1 094)
Rand exchange rates	+12[3]	(7 302)	(7 302)	(685)
	-12[4]	7 318	7 318	694

[1] *Annuitant life expectancy increases i.e. annuitant mortality reduces.*

[2] *Annuitant life expectancy reduces i.e. annuitant mortality increases.*

[3] *Strengthening of the rand.*

[4] *Weakening of the rand.*

Company annual financial statements and notes

CONTENTS **Page**

Independent auditor's report	181
Key judgements in applying assumptions on application of accounting policies	183
Company statement of financial position	184
Company statement of comprehensive income	185
Company statement of changes in equity	186
Company statement of cash flows	187
Notes to the company annual financial statements	188

Independent auditor's report

To the Shareholder of Liberty Holdings Limited

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Liberty Holdings Limited (the Company) as at 31 December 2021, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Liberty Holdings Limited's separate financial statements set out on pages 183 to 204 and 206 to 235 comprise:

- the company statement of financial position as at 31 December 2021;
- the company statement of comprehensive income for the year then ended;
- the company statement of changes in equity for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Key audit matters

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

We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*Liberty Holdings Limited Annual financial statements for the year ended 31 December 2021*", which includes the Directors' Report, the Report of the Group audit and actuarial committee and the Company secretary's compliance statement as required by the Companies Act of South Africa. The other information does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the separate financial statements

The directors are responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

Independent auditor's report (continued)

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate 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

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Liberty Holdings Limited for 25 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: F.J. Kruger
Registered Auditor
4 Lisbon Lane
Waterfall City
Jukskei View
Johannesburg
South Africa
2090
2 March 2022

Key judgements in applying assumptions on application of accounting policies

for the year ended 31 December 2021

Key judgements in applying assumptions on application of accounting policies

Key assumptions can materially affect the reported amounts of assets and liabilities. The assumptions require complex management judgements and are therefore continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following key assumptions are considered material assumptions applied in preparing these annual financial statements.

Impairment of intragroup balances

The expected credit loss model is used to calculate impairment provisions for assets held at amortised cost, which includes intragroup loan balances. A key judgment is the expected credit loss rate for intragroup loans. Refer to note 5.3 for impairments on intragroup loans.

Measurement of financial guarantee

Liberty Holdings Limited issued financial guarantees to the external noteholders of Liberty Group Limited's 8 October 2018 and 9 September 2020 tranches of subordinated notes. A key judgement is the subsequent valuation of the guarantees, which is the higher of the amount determined in accordance with the expected credit loss model in IFRS 9 and the amount initially recognised (fair value) less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Liberty Holdings Limited has chosen to debit the cost of investment in subsidiary for the provision of the guarantees on day one. This accounting policy choice was made with reference to the substance of the group's parent and subsidiary relationship. In addition, Liberty Holdings Limited has charged Liberty Group Limited for the provision of these guarantees, at the amount equal to the day one fair value. This will be recognised over the term of the subordinated notes.

Impairment of investments in subsidiaries

The company assessed its investments in subsidiaries for impairment as at 31 December 2021. If an indicator exists, for semi-dormant, dormant and investment holding subsidiaries, the subsidiaries impairment is referenced to the net asset value calculated on a fair value basis. Operating subsidiaries are assessed against discounted cash flow models or price earnings valuation techniques referenced to approved business plans.

Non-current assets classified as held for sale

Most of the non-current assets classified as held for sale at 31 December 2020 have either subsequently been sold and derecognised, reclassified back to continuing use or are under agreements of sale subject to various conditions precedent. Total Health Trust is under a sale negotiation process currently being completed. In the case of Liberty Health Proprietary Limited, disposal activities have ultimately been unsuccessful, and these operations were derecognised as a non-current assets classified as held for sale at 30 June 2020. There are no new significant operations categorised as non-current assets classified as held for sale for the year ended 31 December 2021 and it remains highly probable that the carrying values of the remaining non-current assets classified as held for sale will be recovered principally through sale transactions rather than continuing use. The non-current assets classified as held for sale are available for immediate sale in their present condition. It is highly probable that they will be disposed of within the next 12 months.

A key judgement in this process is the determination of the fair value less costs to sell. Management have used the agreements of sale and binding offers in the assessment of fair value less costs to sell for each non-current assets classified as held for sale. No further impairments based on current values were required for the year ended 31 December 2021. Further details are contained in the 'Non-current assets classified as held for sale' note of these financial statements.

Deferred taxation

Asset measurement: Deferred taxation assets are assessed for the probability of recovery based on the applicable estimated future business performance and related projected taxable income. The company's expected future activities and results support the recognition of the deferred tax asset in accordance with the guidance provided in IAS 12. Judgement is applied as to the timing of the utilisation of the deferred tax asset. The deferred tax asset is mainly attributable to the utilisation of tax losses.

Refer Appendix A for the detailed accounting policies.

Company statement of financial position

as at 31 December 2021

Rm	Notes	2021	2020
Assets			
Intangible asset	1	17	17
Equipment	2	4	5
Interest in joint ventures	3	4	4
Interests in associate	4	12	12
Interests in subsidiaries	5.1	10 923	10 885
Intragroup balances with subsidiaries[1]	5.3	100	68
Deferred taxation	6	68	83
Financial investments	7	2 080	1 761
Prepayments and other receivables	8	16	27
Non-current assets classified as held for sale	10	159	152
Cash and cash equivalents	9	13	38
Total assets		13 396	13 052
Liabilities			
Financial liabilities	11	82	100
Intragroup balances with subsidiaries[1]	5.3	280	51
Employee benefits	12	42	19
Other payables	13	259	266
Total liabilities		663	436
Equity			
Shareholders' equity			
Share capital	14	26	26
Share premium	14	6 162	6 162
Retained surplus		6 298	6 145
Share-based payment reserve	15	247	283
Total equity		12 733	12 616
Total equity and liabilities		13 396	13 052

[1] *The 2020 intragroup balances with subsidiaries are now shown as grossed up asset and liability values.*

Company statement of comprehensive income

for the year ended 31 December 2021

Rm	Notes	2021	2020
Revenue			
Revenue from contracts with customers	16	184	162
Investment income	17	460	1 910
Interest income on financial assets held at amortised cost	18		6
Fair value adjustments to assets held at fair value through profit or loss and foreign exchange movements on intragroup balances	19	85	73
Total income		729	2 151
Movements on financial liabilities	11	18	8
General marketing and administration expenses	20	(409)	(448)
Impairment charge on subsidiaries held at cost	5.2	(216)	(492)
Impairment (charge)/reversal on financial assets held at amortised cost	21	(30)	80
Profit on sale of subsidiary	10		2
Loss on dissolution of subsidiaries		(2)	
Profit before taxation		90	1 301
Taxation	22	(24)	(17)
Total earnings and comprehensive income		66	1 284

Company statement of changes in equity

for the year ended 31 December 2021

Rm	Share capital and share premium	Share-based payment reserve	Retained surplus	Total
Balance at 1 January 2020	6 188	267	6 038	12 493
Total comprehensive income			1 284	1 284
Ordinary dividends (total 691 cents per share)		(23)	(1 224)	(1 247)
Preference dividends			(2)	(2)
Funding of restricted share plan[1]			7	7
Share-based payments		81		81
Transfer of vested share-based payments		(42)	42	
Balance at 31 December 2020	**6 188**	**283**	**6 145**	**12 616**
Total comprehensive income			**66**	**66**
Preference dividends			**(2)**	**(2)**
Share-based payments		**53**		**53**
Transfer of vested share-based payments		**(89)**	**89**	
Balance at 31 December 2021	**6 188**	**247**	**6 298**	**12 733**

[1] *Funding of restricted share plan for equity settled share awards made, net of any cancellations of previous awards, due to performance conditions not being met.*

Company statement of cash flows
for the year ended 31 December 2021

Rm	Notes	2021	2020
Cash flows from operating activities		305	543
Cash utilised by operations	23.1	(142)	(86)
Interest income on financial assets held at amortised cost	18		6
Dividends received	17	458	1 889
Distributions paid	23.2	(2)	(1 249)
Taxation paid	23.3	(9)	(17)
Cash flows from investing activities		(330)	(582)
Purchase of financial investments	7.2	(240)	(162)
Purchase of equipment	2		(1)
Acquisition of intangible assets	1		(2)
Disposal of subsidiary - Liberty Health Administrators (Pty) Ltd	10		32
Capital injection in subsidiaries	5.2	(229)	(555)
Advances on subsidiary loan	5.3	(80)	(57)
Receipts on subsidiary loan	5.3	250	252
Capital injection in non-current assets classified as held for sale	10		(30)
Advance of loans in non-current assets classified as held for sale	10	(4)	(59)
Acquisition of subsidiary - EQ-Fin (Pty) Ltd	5.2	(27)	
Cash flows from financing activities			
Funding of restricted share plan[1]			7
Net decrease in cash and cash equivalents		(25)	(32)
Cash and cash equivalents at the beginning of the year		38	70
Cash and cash equivalents at the end of the year	9	13	38

[1] *Funding of restricted share plan for equity settled share awards made, net of any cancellations of previous awards, due to performance conditions not being met.*

Notes to the company annual financial statements

for the year ended 31 December 2021

1. Intangible assets

Rm	2021	2020
Computer software – internally generated and under development		
Cost at the beginning of the year	26	24
Additions		2
Cost at the end of the year	26	26
Accumulated amortisation at the beginning of the year	(9)	(7)
Amortisation		(2)
Accumulated amortisation at the end of the year	(9)	(9)
Net carrying value at the end of the year	17	17

2. Equipment

Rm	2021	2020
Equipment, fixtures, furniture and fittings		
Cost at the beginning of the year	15	14
Additions		1
Disposals	(3)	
Cost at the end of the year	12	15
Accumulated depreciation at the beginning of the year	(10)	(9)
Depreciation	(1)	(1)
Disposals	3	
Accumulated depreciation at the end of the year	(8)	(10)
Net carrying value at the end of the year	4	5

3. Interests in joint ventures

Rm	2021	2020
JHI Retail (Pty) Ltd		
Ordinary shares at cost – ownership 49%	3	3
1nvest Fund Managers (Pty) Ltd		
Ordinary shares at cost – ownership 50%	1	1
Total interests in joint ventures	4	4

4. Interests in associate

Rm	2021	2020
MobiLife Financial Services (Pty) Ltd		
Ordinary shares at cost – ownership 24,5%	10	10
Loan to associate	2	2
Total interests in associate	12	12

5. Interests in subsidiaries

5.1 Summary

Rm	2021	2020
Shares held at cost	13 722	14 368
Impairment provision	(2 799)	(3 483)
Total interests in subsidiaries	**10 923**	**10 885**

5.2 Movement analysis of shares at cost and impairment provision

Shares at cost		
Shares at cost at the beginning of the year	14 368	11 948
Non-current assets classified as held for sale reclassified as held for use (refer note 10)		1 782
Acquisition of subsidiary	27	
Capital injections	229	555
Dissolution of subsidiaries (refer note 25.3)	(902)	
Financial guarantee provided to subsidiary - Liberty Group Limited (refer note 11)		83
Shares at cost at the end of the year	**13 722**	**14 368**
Impairment provision		
Impairment provision at the beginning of the year	(3 483)	(1 508)
Impairment charge through profit or loss (refer note 25.3)	(216)	(492)
Impairment reversal against cost of dissolved subsidiaries (refer note 25.3)	900	
Non-current assets classified as held for sale reclassified as held for use (refer note 10)		(1 483)
Impairment provision at the end of the year	**(2 799)**	**(3 483)**

Subsidiaries impairment testing

Equity investments in subsidiary companies are measured at cost less any impairment losses. The carrying amounts of these investments are assessed annually for impairment indicators. If an indicator exists, for semi-dormant, dormant and investment holding subsidiaries, the subsidiaries impairment is referenced to the net asset value calculated on a fair value basis. Operating subsidiaries are assessed against discounted cash flow models or price earnings valuation techniques referenced to approved business plans.

In 2021, Liberty Health Proprietary Limited incurred significant operating losses and therefore resulting in further impairment to the cost of the investment. In assessing the impairment of the cost of the group's investment in the cost of shares in Liberty Health Proprietary Limited, cognisance was taken of the entity's financial forecasts. These forecasts indicate that the operations, that are currently sub optimal and producing losses, will reach a break even status and be profitable within five years. Due to the risks of uncertainty in the various variables in the forecast (particularly the revenue growth of 26% per annum) the impairment level has been set at the current net asset value as a proxy for the estimated fair value (at Level 3 fair value hierarchy) of Liberty Health at 31 December 2021.

During 2020, Lexshell 615 Investments Proprietary Limited incurred significant operating losses due to the revaluation of the treasury shares held by this subsidiary and therefore the cost of the investment had been impaired.

Notes to the company annual financial statements (continued)

for the year ended 31 December 2021

5. Interests in subsidiaries (continued)

5.3 Intragroup balances with subsidiaries

Rm	2021	2020
Intragroup balances – at amortised cost (net of impairment losses)		
Intragroup balances with subsidiaries - Assets	100	68
Intragroup balances with subsidiaries - Liabilities	(280)	(51)
Total intragroup balances with subsidiaries	**(180)**	17

5.3.1 Movement analysis of intragroup balances with subsidiaries

Rm	2021	2020
Intragroup balances – at amortised cost		
Balance at the beginning of the year	17	98
Non-current assets classified as held for sale reclassified as held for use (refer note 10)		37
Advances	80	54
Receipts	(250)	(252)
Interest income (refer note 18)		3
Foreign exchange movements	3	(3)
Impairment (charge)/reversal on financial assets held at amortised cost	(30)	80
Intragroup balances with subsidiaries at the end of the year[1]	**(180)**	17

[1] *Intragroup balances are callable on demand.*

5.3.2 Movement in impairment losses on intragroup balances at amortised cost

Rm	2021	2020
Impairment losses on intragroup balances at the beginning of the year	154	234
Impairment charge/(reversal) recognised in profit or loss during the year (refer note 21)	30	(80)
Total impairment losses on intragroup balances	**184**	**154**

Intragroup balances impairment testing

Estimated credit loss allowances for intragroup loan receivables are measured under the general expected credit loss impairment model.

Included in the intragroup loan receivable balances is an amount of R180 million (2020: R147 million) advanced to LIBSUB2 Proprietary Limited (LIBSUB2) categorised in stage 3, of which R146 million (2020: R147 million) has been impaired. The remaining intragroup loan receivable balances of R104 million (2020: R75 million) are categorised in stage 1. During the year an additional loan of R33 million was advanced to LIBSUB2. LIBSUB2's lifetime expected credit loss allowance was determined with reference to its financial position, which included an assessment of its liquidity.

During 2020, the board had approved certain share issuances in certain subsidiaries to a value of R544 million, the proceeds of which were used to partly repay certain previously impaired loans leading to a reversal of prior year loan receivable impairment provisions of R78 million. Certain loans at 31 December 2021 have been impaired due to ongoing circumstances or new adverse operational outcomes in 2021, that have led to insufficient net assets or liquidity. These applicable subsidiaries are not generating sufficient cash flows to realistically settle the intragroup balances within the foreseeable future or to meet demand notice features (refer to note 25.3).

The net balance (not impaired) of the intragroup loan receivables are in the nature of working capital short-term funding loans and are typically repaid within three months. All of these loans accrue interest on outstanding balances at the group's weighted average cost of capital, except for the loan balance from Frank Financial Services Proprietary Limited, which carries interest at 3-months JIBAR set in advance.

6. Deferred taxation

Rm	Asset/ (liability) at the beginning of the year	Provision for the year	Asset at the end of the year
2021			
Normal taxation	83	(15)	68
Utilisation of tax losses	53	(17)	36
Provisions and other temporary differences	30	2	32
Total	83	(15)	68
2020			
Normal taxation	84	(1)	83
Utilisation of tax losses	84	(31)	53
Provisions and other temporary differences		30	30
Capital gains taxation	(1)	1	
Total	83		83

Liberty Holdings Limited raised a deferred tax asset of R36 million on the estimated tax loss of R129 million. The company's expected future activities and results support the recognition of a deferred tax asset.

7. Financial investments

7.1 Financial investments comprise

Rm	2021	2020
Financial assets at fair value through profit or loss (default business model)		
Equity instruments		
Unlisted	29	29
Mutual funds		
Unlisted	2 051	1 732
Total financial investments	2 080	1 761
7.2 Movement analysis		
Balance at the beginning of the year	1 761	1 512
Additions	240	162
Fair value adjustments through profit or loss	79	87
Balance at the end of the year	2 080	1 761

The mutual fund financial instrument is an interest bearing, unlisted money market fund. This has been classified as a liquid asset for liquidity risk purposes. Interest rate risk for non-subsidiary mutual funds information is not provided. The exposure to mutual funds is classified at fund level and not at the underlying asset level. Although mutual funds are not rated, fund managers are required to invest in credit assets within the defined parameters stipulated in the fund's mandate, which limit the extent to which unrated credit assets can be invested in and restrict funds to the acquisition of investment grade assets. The mutual fund investment is valued using a contractual put (exit) price provided by the fund manager, with the main unobservable input being the price.

Notes to the company annual financial statements (continued)

for the year ended 31 December 2021

8. Prepayments and other receivables

Rm	2021	2020
Prepayments and other receivables at amortised cost		
Sundry receivables	16	27
Total prepayments and other receivables (all current)	**16**	**27**

Inflows of economic benefits relating to the above balances are expected to occur within one year.

9. Cash and cash equivalents

Rm	2021	2020
Cash and cash equivalents at amortised cost		
Cash at bank and on hand	13	38
Total cash and cash equivalents	**13**	**38**

Impairments on cash and cash equivalents held at amortised cost are measured on a 12-month expected credit loss basis and reflect the short-term maturities of the exposures. Impairment losses for cash and cash equivalents held at amortised cost were assessed and considered immaterial.

10. Non-current assets classified as held for sale

Liberty Holdings Limited identified a number of entities that met the criteria as held for sale under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The cash-generating units impacted were asset management operations in Kenya and Uganda, Health risk solutions and short-term insurance in Malawi. During 2020 sales were completed of the asset management operations (STANLIB Kenya Limited and STANLIB Uganda Limited), Liberty General Insurance Company Limited (Malawi) and Liberty Health Administration Proprietary Limited (LHA) – a licensed medical aid administrator in South Africa). LHA is part of the Health risk solutions business referred to above.

The Total Health Trust Limited in Nigeria (part of Health risk solutions) business operation remains under a sale process at 31 December 2021. The balance of Health risk solutions, being mainly the provision of health expense insurance throughout sub-Saharan Africa, was reclassified back to continuing operations at 30 June 2020. This was due to no acceptable purchase offers being forthcoming.

The accounting for Total Health Trust Limited is based on the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, therefore the assets and liabilities were classified as held for sale. The non-current asets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, as set out below:

Rm	2021	2020
Interest in subsidiaries		
Total Health Trust Limited	159	152
Total non-current assets classified as held for sale	**159**	**152**

The potential sales are not discontinued operations as defined under IFRS 5 as they are not disposals of separate major lines of business or geographical areas of operation. Profit or loss from cash-generating units within non-current assets classified as held for sale have consequently not been separately identified in the statement of comprehensive income.

10. Non-current assets classified as held for sale (continued)

10.1 Non-current assets classified as held for sale movement

Rm	2021	2020
Balance at the beginning of the year	152	440
Shares held at cost	105	1 895
Impairment provision held prior to classification to non-current assets classified as held for sale		(726)
Intragroup balances – at amortised cost	47	36
Remeasurement of non-current assets classified as held for sale		(765)
Capital injection in non-current assets classified as held for sale		30
Non-current assets classified as held for sale reclassified as held for use (refer note 5.2) – shares net of impairment provisions		(299)
Advance of loans in non-current assets classified as held for sale	4	59
Foreign exchange movements on loans in non-current assets classified as held for sale	3	(11)
Non-current assets classified as held for sale reclassified as held for use (refer note 5.3.1) – intragroup balances		(37)
Disposal of subsidiary – Liberty General Insurance Company Limited (Malawi)		(30)
Balance at the end of the year	159	152
Shares held at cost	105	105
Intragroup balances – at amortised cost	54	47

10.2 Disposal of operations

Disposal of Liberty General Insurance Company Limited (Malawi)

Effective 30 June 2020, Liberty concluded the sale of its entire shareholding in its Malawi short-term business to existing shareholders for a nominal amount, resulting in a loss on sale of R30 million. The sale was concluded at the carrying value (fair value less costs of sale) estimated at 31 December 2019.

Disposal of STANLIB East Africa operations (Kenya & Uganda)

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

Disposal of Liberty Health Administrators Proprietary Limited

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

11. Financial liabilities

Rm	2021	2020
Financial guarantees		
Financial liabilities at the beginning of the year	100	25
Financial guarantees issued		83
Movements on financial liabilities	(18)	(8)
Total financial liabilities	82	100

The financial guarantees were issued to external bond noteholders who subscribed to Liberty Group Limited's subordinated notes, issued on 8 October 2018 and 9 September 2020 respectively. The guarantees provide for a punctual performance of all payment obligations, should Liberty Group Limited default on its obligations. The fair value of the guaranteed subordinated notes at 31 December 2021 is R2 519 million (2020:R 2 498 million). Both Liberty Group Limited and the subordinated notes have an A- and above credit rating. The subordinated notes will mature in 2025 (R1 000 million) and 2026 (R1 500 million) respectively. Liberty Holdings Limited's maximum exposure is the outstanding obligations of these subordinated notes and these guarantees can be called upon at any time until maturity in the event of a default. The guarantees were provided as a result of the new capital regime that came into effect from 1 July 2018 under the Prudential Authority.

Notes to the company annual financial statements (continued)

for the year ended 31 December 2021

12. Employee benefits

Rm	2021	2020
12.1 Summary		
Short-term employee benefits	42	19
Total employee benefits	42	19

12.2 Short-term employee benefits

	Leave pay		Short-term incentive schemes		Total	
Rm	2021	2020	2021	2020	2021	2020
Balance at the beginning of the year	5	4	14	25	19	29
Additional provision raised	6	6	39	24	45	30
Utilised during the year	(6)	(5)	(16)	(35)	(22)	(40)
Balance at the end of the year	5	5	37	14	42	19

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

Leave pay

In terms of the group policy, employees are entitled to accumulate a maximum of 20 days compulsory leave and 20 days discretionary leave. Compulsory leave has to be taken within 18 months of earning it, failing which it is forfeited. Only discretionary leave can be sold back to the company.

Short-term incentive schemes (cash-settled)

In terms of the group remuneration policy, all permanent employees are eligible to receive a short-term incentive bonus in terms of the various board approved short-term incentive schemes. These schemes recognise both individual and financial performance (both of the respective business unit and group). Awards are approved by the remuneration committee and are subject to deferrals at certain levels.

The non-deferred amounts are cash-settled.

12.3 Transactions between the company and group retirement funds

The contributions which the company has made on behalf of the employees during the year are as follows:

	Contributions	
R'000	2021	2020
Retirement		
Defined benefit funds[1]	1 868	2 268
Defined contribution funds	7 829	7 574

[1] *Funded from employer surplus account.*

13. Other payables

Rm	2021	2020
Other payables at amortised cost		
Sundry payables	175	163
Deferred revenue	84	103
Total other payables (all current)	259	266

14. Share capital and share premium

Authorised share capital
15 000 000 cumulative preference shares of 10 cents each[1]
50 000 000 cumulative non-convertible redeemable no par preference shares
400 000 000 ordinary shares of 8,33 recurring cents each

Unissued shares[2]
50 000 000 cumulative non-convertible redeemable no par preference shares
113 797 627 ordinary shares of 8,33 recurring cents each

Rm	2021	2020
Issued share capital		
286 202 373 ordinary shares of 8,33 recurring cents each	24	24
15 000 000 cumulative preference shares of 10 cents each[1]	2	2
Total issued share capital	26	26
Share premium	6 162	6 162
Total issued share capital and share premium	**6 188**	**6 188**

[1] *The 15 000 000 cumulative preference shares were delisted on 23 November 2021 as part of the SBG scheme of arrangements - refer to Events after reporting date for further details.*
[2] *Unissued shares reserved:*
For the purpose of the Liberty Life Equity Growth Scheme and the Liberty Equity Growth Scheme, 6 938 799 (2020: 6 084 668) ordinary shares of 8,33 recurring cents each.

The 15 000 000 cumulative preference shares are not redeemable and carry dividends at the rate of 11 cents per share per annum.

The preference shares confer the right, on a winding up of the company, to receive a return of R1 per share together with any arrears in preference dividends in priority to any payment in respect of any other class of share in the capital of the company then issued.

The following unissued shares are all under the general authority and control of the directors, which expires at the annual general meeting to be held on 12 May 2022: 113 797 627 (2020: 113 797 627) ordinary shares of 8,33 recurring cents each; 50 000 000 cumulative non-convertible redeemable no par preference shares.

The closing price for a Liberty Holdings Limited ordinary share on 31 December 2021: R94,54 (2020: R61,98).

15. Share-based payments – equity-settled

Reconciliation of reserve

Rm	2021	2020
Equity growth scheme (rights)		
Liberty Holdings Limited ordinary shares	98	87
Restricted scheme plans		
Liberty Holdings Limited ordinary shares	128	186
Performance reward plan		
Liberty Holdings Limited ordinary shares	21	10
Total share-based payments reserve	**247**	**283**
Movement for the year	**(36)**	**16**
Per profit or loss – equity-settled schemes	32	64
Allocated costs to subsidiaries	21	17
Transfer of vested rights to retained surplus	(89)	(42)
Dividend payments to participants		(23)

Notes to the company annual financial statements (continued)

for the year ended 31 December 2021

15. Share-based payments – equity-settled (continued)

15.1 Equity-settled remuneration schemes

Liberty has a number of share incentive schemes for key management personnel and senior employees linked to Liberty Holdings Limited (Liberty) shares. These share incentive schemes are the Restricted Share Plans, the Performance Reward Plan (PRP) and the Liberty Equity Growth Scheme.

Liberty Holdings group restricted share plan (long-term plan)

Awards are made to certain selected executives in the format of fully paid-up shares in Liberty Holdings Limited which are held in a trust subject to vesting conditions (service and performance) and will be forfeited if these conditions are not met during the performance measurement period.

Liberty Holdings group restricted share plan (deferred plan)

Annual short-term incentive performance bonus payments in excess of thresholds determined annually by Liberty's remuneration committee, are subject to mandatory deferral. This is achieved by investing the deferred portions of the short-term incentive awards into Liberty Holdings Limited shares, which are held in a trust, subject to vesting conditions.

Participants under the long-term and deferred plans are entitled to receive dividends as paid. As the dividends are already priced into the fair value of the shares on grant date, any receipt of dividends to participants is accounted for as a reduction in the share-based payments reserve. No voting rights are attached to the shares held in trust.

Equity Growth Scheme

The Liberty Equity Growth Scheme confers rights on employees to acquire Liberty ordinary shares equivalent to the value of the right at date of exercise which are effectively settled by the issue of shares equivalent to the value of rights. The group is required to ensure that employee's tax arising from benefits due at date of vesting in terms of the scheme is paid in accordance with the Fourth Schedule of the Income Tax Act of South Africa. Where employees have not exercised at vesting date and elect not to fund the tax from their own resources the tax due is treated as a diminution of the gross benefits due under the scheme.

Performance reward plan

Annual long-term incentive awards are granted to applicable executives and senior management, fully subject to vesting conditions (performance) set by Liberty's remuneration committee (Remco). The performance period of 4 years will determine the total number of shares to be delivered. 50% of shares will be settled after year 4 and 50% after year 5, with year 5 being a service vesting condition only. The Remco shall determine the final percentage of the performance conditions that apply to each allocation, and that percentage shall be multiplied by the number of units that will vest on vesting date. Each unit is the equivalent of one Liberty Holdings ordinary share.

No dividends are received by participants during the vesting period. A cash award will be paid to each participant at the vesting dates (i.e. end of year 4 and end of year 5) equivalent to the dividends payable during the vesting period times the number of shares that vested.

Refer to Appendix B for full details regarding these equity-settled schemes.

15.2 Summary of movements under restricted share plans

Liberty Holdings group restricted share plan

	2021		2020	
Movement summary	**Price range**	**Number**	**Price range**	**Number**
Shares outstanding at the beginning of the year		2 144 952		3 036 376
Exercised	R103,60 - R138,00	(187 696)	R103,60 - R141,00	(92 185)
Cancellations	R103,60 - R138,40	(831 843)	R103,60 - R169,63	(799 239)
Shares outstanding at the end of the year		1 125 413		2 144 952
Share based payment expense (Rm)[1]		(67)		(28)

[1] *Includes reversal of expenses due to cancellations of LTIPs.*

Awards vest 33,33% at the end of year 3, 4 and 5 respectively.

15. Share-based payments – equity-settled (continued)

15.2 Summary of movements under restricted share plans (continued)

Liberty Holdings group restricted share plan (deferred plan)

	2021		2020	
Movement summary	**Price range**	**Number**	**Price range**	**Number**
Shares outstanding at the beginning of the year		2 406 981		1 187 085
Granted	R57,65 - R91,24	1 290 875	R60,51 - R108,64	1 763 973
Exercised	R65,65 - R138,00	(881 151)	R99,14 - R160,40	(424 436)
Cancellations	R65,65 - R138,00	(210 936)	R65,65 - R138,40	(119 641)
Shares outstanding at the end of the year		2 605 769		2 406 981
Share-based payment expense (Rm)		86		80

Awards vest 33,33% at the end of 18 months, 30 months and 42 months respectively.

Liberty Holdings performance reward plan

	2021		2020	
Movement summary	**Price range**	**Number**	**Price range**	**Number**
Shares outstanding at the beginning of the year		1 462 598		1 462 598
Granted	R68,24	376 614	R65,65	2 073 134
Cancellations			R65,65	(2 073 134)
Shares outstanding at the end of the year		1 839 212		1 462 598
Share-based payment expense (Rm)		10		6

Awards vest 50% at the end of 48 months and 60 months respectively.

Liberty Equity Growth Scheme

	2021		2020	
Movement summary	**Price range**	**Number**	**Price range**	**Number**
Shares outstanding at the beginning of the year		11 627 628		3 025 888
Granted			R55,85	9 055 000
Exercised			R66,00 - R80,30	(121 750)
Cancellations	R68,00 - R138,00	(1 085 087)	R69,00 - R138,00	(331 510)
Shares outstanding at the end of the year		10 542 541		11 627 628
Share based payment expense (Rm)		24		21

50% of the rights vest in year three, thereafter 25% in years four and five. Typically, the employee must remain in the employment of the company in order to exercise options/rights. A modified binomial tree model was used in order to value the share rights.

Rights granted (no rights were granted in 2021)	**2020**
Weighted average fair value per share right granted, using the following assumptions:	R16,30
Exercise price	R55,85
Expected volatility (%)[1]	28
Option life vesting/implementation	5 years/10 years
Dividend yield (%)[2]	5,30

[1] *The expected volatility is based on the annualised historic volatility of the share price for the 10 years before the valuation date. The volatility is calculated using daily price movements on trading days.*

[2] *The dividend yield is based on the average historic dividend yield for the 10 years before the valuation date.*

Notes to the company annual financial statements (continued)

for the year ended 31 December 2021

16. Revenue from contracts with customers

Rm	2021	2020
Administration fees for services to group companies	**184**	162

Administration fees are recognised over time, in accordance with IFRS 15.

17. Investment income

Rm	2021	2020
Subsidiaries and joint ventures		
Dividends received from subsidiaries[1]	**439**	1 877
Dividends received from joint ventures[2]	**19**	12
Sundry income	**2**	21
Total investment income	**460**	1 910
[1] Dividends received from subsidiaries:		
Liberty Group Limited		1 431
STANLIB Limited	**420**	333
STANLIB Lesotho Proprietary Limited	**7**	7
Total Health Trust Limited	**12**	65
Liberty Life Swaziland Limited		11
STANLIB Swaziland Limited		30
Total	**439**	1 877

[2] Dividends received from JHI Retail Proprietary Limited.

18. Interest income on financial assets held at amortised cost

Rm	2021	2020
Interest income on cash and cash equivalents		3
Interest income on intragroup balances		3
Total interest income on financial assets held at amortised cost		6

19. Fair value adjustments to assets held at fair value through profit or loss and foreign exchange movements on intragroup balances

Rm	2021	2020
Foreign exchange movements on intragroup balances	**3**	(3)
Foreign exchange movements on loans in non-current assets classified as held for sale	**3**	(11)
Financial instruments at fair value through profit or loss (default business model)		
Equity instruments – unlisted		(2)
Mutual funds – unlisted	**79**	89
Total fair value adjustments to assets held at fair value through profit or loss and foreign exchange movements on intragroup balances	**85**	73

20. General marketing and administration expenses

Rm	2021	2020
Employee costs	180	188
Office and sundry costs	229	260
Total general marketing and administration expenses	409	448
General marketing and administration expenses include the following:		
Audit fees – current year	4	4
Amortisation of intangible asset (refer note 1)		2
Depreciation of equipment (refer note 2)	1	1
Consulting fees	21	23
Other related South African taxes - Non-recoverable value added tax	6	7
Employee costs	180	188
Salaries and wages	87	83
Staff and management retention and incentive schemes	39	24
Share-based payment expenses (refer note 15)	32	64
Other	22	17

21. Impairment (charge)/reversal on financial assets held at amortised cost

Rm	2021	2020
Impairment (charge)/reversal on intragroup loans at amortised cost (refer note 5.3.2)	(30)	80
Total impairment (charge)/reversal on financial assets held at amortised cost	(30)	80

Impairments on intragroup loans that have been settled or partially repaid and no longer carry a risk of default, have been reversed.

22. Taxation

22.1 Sources of taxation

Rm	2021	2020
South African normal taxation		
Current deferred taxation	15	1
South African capital gains taxation		
Deferred taxation		(1)
Other related South African taxes		
Dividend withholding taxation	9	17
Total taxation	24	17

Notes to the company annual financial statements (continued)

for the year ended 31 December 2021

22. Taxation (continued)

22.2 Taxation rate reconciliation

	Corporate income tax	
Rm	**2021**	**2020**
Taxation per profit or loss	24	17
Profit before taxation per statement of comprehensive income	90	1 301
%		
Effective rate of taxation	26,7	1,3
Income exempt from normal taxation:		
Dividends received	143,2	40,8
Unrealised fair value adjustments	13,4	1,9
Non-tax deductible expenses:		
Provisions and non-deductible expenses[1]	(136,5)	(5,6)
Impairments and non-deductible loan write-offs	(9,6)	(10,4)
Underprovision of taxes in respect of prior years	(8,0)	
Revenue offset for withholding taxes	(9,9)	(1,3)
Special allowances and inclusions	(4,4)	(1,7)
Utilisation of tax losses	13,1	3,0
Standard rate of South African taxation	28,0	28,0

[1] *Includes impairments on subsidiaries which are not deductible for tax purposes.*

23. Cash flow statement notes

23.1 Cash utilised by operations

Reconciliation of total earnings to cash utilised by operations

Rm	**2021**	**2020**
Total earnings	66	1 284
Adjustments for:		
Interest income on financial assets held at amortised cost		(6)
Dividends received	(458)	(1 889)
Taxation	24	17
Adjustments for non-cash items:		
Subsidiary impairment charge	216	492
Amortisation of intangible asset		2
Depreciation of equipment	1	1
Fair value adjustments to assets held at fair value through profit or loss	(79)	(87)
Foreign exchange movements on intragroup balances	(3)	3
Foreign exchange movements on loans in non-current assets classified as held for sale	(3)	11
Profit on sale of subsidiary excluding transaction costs		(2)
Loss on dissolution of subsidiaries	2	
Movements on financial liabilities	(18)	(8)
Impairment charge/(reversal) on intragroup loans at amortised cost	30	(80)
Share-based payment expenses including allocated cost to subsidiaries	53	81
	(169)	(181)
Working capital changes:	27	95
Prepayments and other receivables	11	(6)
Employee benefits	23	(10)
Other payables	(7)	111
Cash utilised by operations	(142)	(86)

23. Cash flow statement notes (continued)

23.2 Distributions paid

Dividends as per statement of changes in shareholders' funds:		
Ordinary dividends		(1 247)
Preference dividends	(2)	(2)
Total distributions paid	**(2)**	(1 249)

23.3 Taxation paid

Taxation payable at the beginning of the year		
Taxation attributable	(9)	(17)
Taxation payable at the end of the year		
Total taxation paid	**(9)**	(17)

24. Remuneration of directors and prescribed officers

Refer to note 44 in the group annual financial statements for details of directors and prescribed officers remuneration.

25. Related party disclosure

A list of related parties, as defined, is contained in the related party disclosures note 44 to the group financial statements. Related party transactions with the direct holding company and ultimate holding company, directors and related entities, and joint ventures are also disclosed therein.

The disclosures below are additional to the group note:

25.1 Loans, dividends and administration fees

Long-term and working capital loans are provided to various subsidiaries by Liberty Holdings Limited. Details of outstanding amounts and relevant terms are provided in note 5 and 25.3 to the company financial statements.

Details of dividends received from subsidiaries are provided in note 17 to the company financial statements.

Rm	2021	2020
Fees earned for management and administration services:		
Liberty Group Limited	76	64
STANLIB Limited	54	46
Various foreign registered subsidiaries	54	52
Total	**184**	162

25.2 Share-based payments transactions

The value of certain Liberty Holdings Limited restricted share plan awards, share rights and share unit rights granted to employees of the group's subsidiaries are charged to the applicable subsidiary. In the case of employees who have transferred to the Standard Bank group subsequent to the initial grant dates and who retained their awards, the charges are recovered from the Standard Bank group.

Rm	2021	2020
Summary of charges:		
Liberty Group Limited	21	17
Total	**21**	17

Notes to the company annual financial statements (continued)

for the year ended 31 December 2021

25. Related party disclosure (continued)

25.3 Subsidiaries[1]

	Amount of issued ordinary share capital	Percentage of issued share capital units held	
		2021	2020
Insurance			
Liberty Group Limited	R28 895 619	100	100
Liberty Life Assurance Uganda Ltd	USh3 000 000 000	51	51
Liberty Life Swaziland Ltd	E10 000 000	75	75
Liberty Life Lesotho Ltd	M40 000 000	100	100
Liberty General Insurance Uganda Ltd	USh9 000 000 000	51	51
Asset management			
STANLIB Ltd	R423 108 994	100	100
STANLIB Eswatini (Pty) Ltd	E2	100	100
STANLIB Lesotho (Pty) Ltd	M1 950 000	75	75
STANLIB Property Development (Pty) Ltd	R18 026 100	100	100
Investment holding			
Lexshell 615 Investments (Pty) Ltd	R1 268 965 196	100	100
Liberty Holdco Nigeria Ltd	N1 855 024 240	100	100
Liberty Holdings Botswana (Pty) Ltd	P12 612 627	100	100
Liberty Kenya Holdings PLC[1]	KSh2 026 187 651	73	58
Liberty Holdings Namibia (Pty) Ltd	N$159 101 100	100	100
Liberty Holdings Zambia Ltd	ZK29 448 384	100	100
Stonehouse Capital (Pty) Ltd	R90 691 386	100	100
LIBSUB2 (Pty) Ltd	R185 031 395	100	100
Health			
Liberty Health Holdings (Pty) Ltd[4]			100
Liberty Health (Pty) Ltd	R1 649 547 546	100	100
V-Innovations Administration Services (Pty) Ltd[4]			70
Other			
Liberty Nominees (Pty) Ltd (Shareholder transactions)	R5 000 001	100	100
Mentenova Consultants and Actuaries (Pty) Ltd (Consulting services)	R54 300 000	100	100
Mentenova (Pty) Ltd (Brokerage services)	R100	60	60
STANLIB Kenya Ltd (Entity being wound down)	KSh1 755 359 500	100	100
STANLIB Uganda Ltd (Entity being wound down)	USh5 270 000 000	100	100
Liberty Securities (Pty) Ltd (Asset liability matching)[3]	R10 000 000	51[4]	51[4]
EQ-FIN (Pty) Ltd (Consulting services)	R51 691 286	100	
Frank Financial Services (Pty) Ltd (Marketing and administration services)[2]			
Dormant			
Liberty Group Properties (Pty) Ltd (Property Asset Management)	R100	100	100
Standard Insurance Swaziland Ltd[4]			100
Non-current assets classified as held for sale			
Total Health Trust Ltd	N400 000 000	100	100

Liberty Holdings Limited, indirectly through its various subsidiaries, has interests in a number of other subsidiaries. Further details can be obtained from the group financial statements in Appendix D. A register containing full information on all the group subsidiaries is available for inspection at the registered office of the company.

[1] *The above subsidiaries are all unlisted, except for Liberty Kenya Holdings PLC, which is listed on the Nairobi Stock Exchange.*

[2] *Frank Financial Services Proprietary Limited is held 100% by Liberty Group Limited and therefore an indirectly held subsidiary.*

[3] *Liberty Securities Proprietary Limited is held 49% by another subsidiary (Liberty Group Limited) of the holding company.*

[4] *Entities dissolved or disposed of during 2021.*

Shares at cost Rm		Impairment provision Rm		Intragroup balances Rm		Impairment provision Rm	
2021	2020	2021	2020	2021	2020	2021	2020
13 722	14 368	(2 799)	(3 483)	4	171	(184)	(154)
8 520	8 520			(57)	(33)		
5	5			2	2		
8	8			2	1		
40	30	(23)	(18)	5	2		
52	45			3	1		
1 308	1 308			28	28		
1	1						
6	6						
42	42	(35)	(35)				
1 269	1 269	(1 230)	(1 233)				
73	73	(70)	(70)				
79	79			2	2		
350	230			8	8		
127	127	(59)	(17)	23	23	(23)	
26	11	(23)	(11)	15	7	(15)	(7)
91	91	(64)	(74)	(23)			
185	185	(185)	(185)	180	147	(146)	(147)
	900		(900)				
917	860	(561)	(427)	15	(18)		
5	5						
54	34	(43)	(33)				
24	24			1	1		
252	252	(226)	(225)				
20	20	(19)	(19)				
5	5						
27		(25)					
				(200)			
236	236	(236)	(236)				
	2						
105	105			54	47		
105	105			54	47		

Notes to the company annual financial statements (continued)

for the year ended 31 December 2021

26. Fair value hierarchy for financial instruments

IFRS 13 requires that an entity discloses for each class of assets and liabilities measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety. The fair value hierarchy reflects the significance of the inputs used in making fair value measurements.

The IFRS 13 fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The IFRS 13 fair value of prepayments and other receivables, cash and cash equivalents and other payables approximate their carrying value and are not included in the hierarchy analysis as their settlement terms are short-term and therefore from a materiality perspective fair values are not required to be modelled. The table below analyses the fair value measurement of applicable assets by level.

Fair value hierarchy for financial investments 31 December 2021:

Rm	Level 2	Level 3	Total
2021			
Unlisted			
Equity instrument		29	29
Mutual fund	2 051		2 051
	2 051	29	2 080
2020			
Unlisted			
Equity instrument		29	29
Mutual fund	1 732		1 732
	1 732	29	1 761

As the intragroup balances with subsidiaries are callable on demand, the fair value amount approximates the amortised cost.

27. Events after reporting date

Standard Bank transaction

On 14 July 2021, Liberty Holdings Limited (LHL) and Standard Bank Group Limited (SBG) jointly announced a proposed transaction that would be implemented through a scheme of arrangement (Scheme), pursuant to which SBG will acquire all of the ordinary and preference shares issued by LHL other than the shares already held by SBG. Shareholders of LHL and SBG are referred to the Circular and to the results of the general meeting announcement published on SENS on 13 October 2021. The Scheme was approved by the requisite majority of LHL shareholders (both ordinary and preference at separate meetings) present and entitled to vote thereon. Regarding the preference shares all conditions of the Scheme were met on 2 November 2021 and the preference shares were delisted from the JSE on 23 November 2021 (refer SBG SENS announcement dated 4 November 2021).

All the conditions precedent related to the ordinary shares were met on 7 February 2022. The Scheme was implemented on 28 February 2022, and consequently the delisting of all LHL ordinary shares on the JSE took place on 1 March 2022 (refer SBG SENS announcement dated 7 February 2022). Shortly after the delisting of the LHL ordinary shares, the share incentive scheme participants who had unvested or unimplemented obligations (related to the Liberty Group Restricted Share Plan (long-term plan and deferred plan), the Liberty Performance Reward Plan and the Liberty Equity Growth Scheme) were compensated with either a cash consideration or transferred to similar Standard Bank equity-settled remuneration schemes. The financial consequences to LHL of this compensation to share scheme participants, when compared to the financial impacts of the original LHL awards, is not material.

Pursuant to the transaction, a special distribution of R11,10 per ordinary share was paid on 28 February 2022. This totalled R3 177 million.

This is a non-adjusting post balance sheet event for the year ended 31 December 2021.

Appendices

Contents

Contents	Page
Appendix A – Detailed accounting policies	206
Appendix B – Liberty Holdings Limited and Liberty Group Limited rights and restricted shares and utilisation of incentive share scheme allocation	236
Appendix C – Long-term policyholder liabilities and short-term insurance liabilities reconciliation	240
Appendix D – List of companies within the Liberty Holdings Limited group	244
Appendix E – Abbreviations and definitions	247

Appendix A – Detailed accounting policies

for the year ended 31 December 2021

The accounting policies summarise those polices, and the potential impacts of new IFRS standards or interpretations, which are useful to users of these financial statements. These should be read in conjunction with 'Accounting principles (including accounting policy elections),'Key judgements in applying assumptions on application of accounting policies', as well as with reference to the 'Summary of the group's assets and liabilities by measurement basis'. Accounting policies for which no choice is permitted in terms of IFRS have been included only if management concluded that the disclosure would assist users in understanding the financial statements as a whole, taking into account the materiality of the item being discussed. Accounting policies which are not applicable from time to time have been removed but will be included if the type of transaction occurs in the future.

1. New IFRS standards and amendments

1.1 New standards and amendments that are not yet effective that will impact on the group and company results or disclosures

The following new standards and amendments have been issued by the IASB, however, are not yet effective for the current financial year. The group and company will comply with the new standards and amendments from the effective date and has elected not to early adopt any at this stage.

STANDARD	SCOPE	POTENTIAL IMPACT TO THE GROUP AND COMPANY
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments) The effective date for these amendments have been deferred indefinitely.	The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.
IAS 1 *Presentation of Financial Statements* (amendments) • Effective 1 January 2023.	The amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa.	The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

1. New IFRS standards and amendments (continued)

1.1 New standards and amendments that are not yet effective that will impact on the group and company results or disclosures (continued)

STANDARD	SCOPE	POTENTIAL IMPACT TO THE GROUP AND COMPANY
IFRS 17 *Insurance Contracts* Effective for years commencing 1 January 2023 with three transitional approaches permitted, namely: • retrospective; • modified retrospective; and • fair value approach. • Early adoption is permitted.	IFRS 17 replaces IFRS 4, which was issued as an interim standard and permitted entities to account for insurance contracts (particularly the measurement thereof) using local actuarial practices, resulting in a multitude of different approaches. Consequently, the financial position and financial performance of otherwise similar companies are not always comparable. IFRS 17 prescribes a single accounting model under which insurance contacts are measured using current estimates. The application of IFRS 17 will enable stakeholders to understand and compare the financial positions and performances of those reporting entities that issue insurance contracts. The method of revenue recognition will enhance comparability to companies in other jurisdictions and industries. Under IFRS 17, a general measurement model (GMM) is applicable to long-term insurance contracts and is based on a fulfilment objective (risk-adjusted present value of best estimate future cash flows). It requires the use of current estimates, which are those informed by actual trends and investment markets. IFRS 17 establishes a contractual service margin (CSM) at the initial measurement of the liability. The CSM represents the unearned profit on the contract and results in no gain at initial recognition. The CSM is released over the life of the contract in line with the level of service provided in each period. The interest rate on the CSM is locked in at the rate at inception. The CSM will be utilised as a "shock absorber" in the event of changes to best estimate cash flows. On loss-making (onerous) contracts, there is no CSM and the full loss will be recognised as soon as it is expected that the group of contracts will be onerous, in terms of the initial recognition criteria in IFRS 17. The GMM is modified for contracts that have participation features, in which case the variable fee measurement approach (VFA) is used to measure the contract. An optional simplified premium allocation approach (PAA) is available for contracts that have a coverage period of 12 months or less. The PAA is similar to the current unearned premium reserve profile recognised over time. The IASB issued the final IFRS 17 standard in June 2020, which confirmed that the standard will come into effect for years commencing 1 January 2023. An entity may re-assess its classification and designation of financial instruments under IFRS 9, on the adoption of IFRS 17.	The implementation of IFRS 17 is significant for the group, specifically in areas such as profit recognition, presentation in the statement of comprehensive income and level of transparency of components of reserving. In order to meet the requirements of IFRS 17, the group has invested significant effort in data collection and storage, modelling and ledger configuration. The group is progressing well with a new IFRS 17 subledger and a data platform to receive, harmonise, enrich and deliver data to the ledger systems in compliance with IFRS reporting requirements. The group continues to develop its key judgements in the interpretation of the standard including items such as coverage units, application of South African taxation to best estimate cash flows and transition approaches. There remains several key technical interpretation issues across the auditing and industry communities which have not yet been firmly concluded on. Representatives from Liberty are involved in various industry forums in order to remain aware of implementation issues and interpretations being considered. Certain of these industry forums are engaged with the South African National Treasury and other jurisdictional bodies on any implications on the adoption of the new standard to taxation. The group is required to produce its first financial results under IFRS 17 for periods commencing 1 January 2023, with restated comparative information. **Project governance** Liberty's IFRS 17 steering committee, sponsored by the group's financial director, is responsible for providing overall strategic direction to the project and to monitor progress and interdependencies with other group initiatives. The committee comprises representation from finance, risk, actuarial, IT, internal audit and business. The committee is supported by a number of working groups responsible for various work streams. The group is also providing policy guidance and technical support for the implementation in its subsidiaries within the African jurisdictions, with each entity adhering to local governance requirements as well. The group's external auditors, PwC, have as part of their early audit in preparation for IFRS 17 adoption, been involved in this process.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

1. New IFRS standards and amendments (continued)

1.1 New standards and amendments that are not yet effective that will impact on the group and company results or disclosures (continued)

STANDARD	SCOPE	POTENTIAL IMPACT TO THE GROUP AND COMPANY
		IFRS 17 implementation progress The group has progressed well with the conceptual design decisions and the system and model build required to implement IFRS 17. The group has confirmed substantially all its contract classifications, contract boundaries and measurement bases. The group has chosen not to early adopt the standard and is in the process of determining the required opening balance transition values. The application of contractual service margins (CSM) as guided by the standard are likely to result in lower volatility, between reporting periods, in insurance earnings over time. This is mainly a consequence of the requirement to, where applicable, incorporate any changes to estimates of future contractual fulfillment cash flows into the CSM. This then systematically impacts future margin releases rather than the current treatment of impacting the profit or loss in the year of change. The group has elected to use the PAA approach for contracts that have a coverage period of 12 months or less. Management has developed a better understanding of the transition balance sheet to be presented at 1 January 2022, although this is still subject to certain working assumptions that are not yet concluded on. It is anticipated that the impact of IFRS 17 will only be fully quantified with reasonably certainty during 2022 (being a combination of transition values as well as revenue recognition patterns). As a number of significant interpretation items relating to the standard remain unresolved, management is unable to provide any quantitative guidance within materiality levels on the transition adjustments and future revenue recognition at the reporting date. The group expects to be fully prepared to start a parallel run during 2022, during which the new IFRS 17 processes will be run and embedded. Ongoing training initiatives are ensuring that various relevant stakeholders are familiar with the implications and requirements of this new standard. At this stage, the impact of IFRS 17 on regulatory capital is expected to be minimal given that the group has fully adopted the SAM basis and, other than possible second order taxation implications, IFRS 17 should not impact regulatory capital assessment. Liberty Holdings Limited company will not be impacted as it is an investment company and does not issue insurance contracts.

1. New IFRS standards and amendments (continued)

1.2 Amendments and improvements to standards

The accounting policies are consistent with those reported in the previous year except for the adoption of the following amendments:

Adoption of amended standards effective for the current financial year

- IFRS 4 *Insurance Contracts*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, IAS 39 *Financial Instruments: Recognition and Measurement* (amendments). The second phase of Interest Rate Benchmark Reform (IBOR) resulted in amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 requirements to enable companies to deal with its effect on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative benchmark rate instead of derecognising or adjusting the carrying amount of financial instruments for changes required by the reform. An entity will not have to discontinue hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria. In addition, the amendments require companies to provide additional information to investors about new risks arising from the reform and how it manages the transition to alternative benchmark rates. The group will transition to alternative benchmarks as each interest rate benchmark is replaced. The group established a committee and working group within treasury and capital management to manage this transition.
- IFRS 9 Financial Instruments: General Hedge Accounting (GHA). The group has elected to adopt and transition to IFRS 9 GHA prospectively from 1 January 2021. The revised general hedge accounting requirements are better aligned with an entity's risk management activities. The group currently applies hedge accounting to certain cash flow hedges of currency risk and has elected to retrospectively exclude foreign currency basis spreads from the hedge relationship as permitted by IFRS 9. The total hedge reserve remains unchanged on transition. As at 1 January 2021, the risk management strategy and the hedge documentation for all micro hedges has been updated to comply with the requirements of IFRS 9 GHA. Due to the IASB's project, Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach (PRA) not yet being finalised, in the event that Liberty in the future were to use macro hedges (hedges that minimise/manage the risk exposure of a portfolio), the group will continue to apply IAS 39 for all macro hedges.

Early adoption of amended standards

- IFRS 16 *Leases* (amendment), the amendment extends the availability of the practical expedient so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The group elected not to apply this practical expedient.
- IAS 1 *Presentation of Financial Statements* (amendments), IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (amendments). In response to the IASB's Disclosure Initiative – Principles of Disclosure, the amendments introduce a requirement on entities to disclose their material accounting policy information rather than significant accounting policies. To support this amendment the IASB also amended its IFRS Materiality Practice Statement to explain and demonstrate the application of the materiality process to accounting policy disclosures. The amendments have been applied prospectively.
- IAS 8 *Accounting* Policies, *Changes in Accounting Estimates and Errors*. The amendments introduce the definition of accounting estimates and include amendments to assist entities to distinguish changes in accounting estimates from changes in accounting policies. The amendments have been applied prospectively.
- IAS 12 *Income Taxes* (amendment). The amendments narrow the scope of the initial recognition exemption of deferred tax assets and liabilities. The exemption no longer applies to transactions that, at initial recognition, give rise to equal taxable and deductible temporary differences. The amendments have been applied retrospectively.
- Annual improvements 2018-2020 cycle. The IASB has issued various amendments and clarifications to existing IFRS. The amendments have been applied retrospectively.

The adoption of new and amended standards on 1 January 2021 did not affect the group's or company's previously reported financial results, disclosures or accounting policies and did not impact the group's or company's results upon transition, with the exception of disclosures for IFRS 9 GHA.

Other amendments to standards that are effective for annual periods beginning on or after 1 January 2022, but not mentioned previously, are not expected to have a significant impact on the group and company's reported assets and liabilities.

Annual improvements effective 1 January 2022 that were not early adopted are not expected to have a significant impact on the group and company's reported assets and liabilities and disclosures.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

2. Basis of consolidation

The group annual financial statements consolidate the annual financial statements of the company and its subsidiaries.

TYPE	MEASUREMENT
Interests in subsidiaries comprising interest in subsidiary companies, mutual funds and structured entities	Subsidiaries are defined as entities that are controlled by the group. In order for control to exist, the group must have: 1. power over the investee; 2. exposure or rights to variable returns from involvement with the investee; and 3. the ability to use power over the investee to affect the amount of the group's returns. The group must possess all three elements to conclude that it controls an investee. Refer to key judgements for assessment of control. Subsidiaries are consolidated from the date on which control is transferred to the group (effective date of acquisition) and are no longer consolidated from the date that control ceases (effective date of disposal). Gains and losses on disposal of subsidiaries are included in profit or loss. The accounting policies for subsidiaries are consistent, in all material respects, with the policies adopted by the group. Intragroup transactions, balances and unrealised gains and losses are eliminated on consolidation.
Separate financial statements	Interests in mutual fund subsidiaries and subsidiaries interests that back policyholder liabilities are shown at fair value in accordance with IAS 27.
	Interests in subsidiary companies in the company financial statements comprise shares, which are measured at cost less any required impairment. Acquisition costs are recorded as an expense in the period in which they are incurred, except for the costs to issue debt or equity securities, which are part of the consideration transferred. The carrying amounts of these investments are reviewed annually for impairment. Intragroup balances with subsidiaries are measured at amortised cost. These are subject to the expected credit loss impairment model.

TYPE	MEASUREMENT
Business combinations	The group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the sum of the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The cost of an investment in a subsidiary is adjusted to reflect changes in consideration arising from contingent consideration amendments. Transaction costs are recognised within profit or loss as and when they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred, being the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, is recorded as goodwill. The group elects to measure non-controlling interests on the acquisition date at either fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets on an acquisition-by-acquisition basis. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.
Unincorporated property partnerships	Refer to "Key judgements in applying assumptions on application of accounting policies" for assessment of control. Non-controlling interests in the unincorporated property partnerships are measured at their proportionate share of the fair value in the various properties and any non-distributed net accumulated profit or loss.
Interests in joint arrangements	Joint arrangements are arrangements whereby the group and one or more parties have joint control of an entity. Classification of a joint arrangement as either a joint operation or a joint venture depends on the contractual rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control, have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

2. Basis of consolidation (continued)

TYPE	MEASUREMENT
Interests in joint ventures – equity accounted	Interests in joint ventures in the group financial statements are accounted for using equity accounting principles for the duration in which the group has the ability to exercise joint control. The group's interests in these joint ventures are carried initially at cost. The group's share of post-acquisition profit or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in reserves. Any goodwill in respect of joint ventures acquired is recognised as part of interests in joint ventures in the statement of financial position. The group discontinues equity accounting when the group's share of losses exceeds or equals its interests in the joint venture, unless it has incurred obligations or guaranteed obligations in favour of the joint venture. At each reporting date the group determines whether there is objective evidence that the interests in joint ventures are impaired. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology. Where the accounting policies for joint ventures are not consistent, in all material respects, with policies adopted by the group, adjustments are made to ensure consistency with the group policies. Interests in joint ventures are accounted for at cost less any impairment in the company financial statements. The carrying amounts are reviewed annually for impairment.
Interests in joint ventures measured at fair value through profit or loss	Investments in joint ventures which are held specifically to provide investment returns to investment-linked insurance policies are measured on initial recognition at fair value through profit or loss in accordance with the measurement exemption in IAS 28 *Investments in Associates and Joint Ventures*. These interests in joint ventures are subsequently measured at fair value through profit or loss.

TYPE	MEASUREMENT
Interests in associates	An associate is an entity over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investment. Judgement is applied in assessing which entities the group has the ability to significantly influence. In the case of voting rights, it is generally demonstrated by the group holding 20% or more of the voting power of the investee. Interests in associates are accounted for at cost less any impairment in the company financial statements. The carrying amounts are reviewed annually for impairment.
Interests in associates measured at fair value – mutual funds	The mutual funds in which the group has exposure to economic interest in the fund and has the irrevocable management agreement over the fund's asset manager, therefore providing significant influence, are deemed to be interests in associates. On initial recognition, they are measured at fair value through profit or loss (default), based on the measurement exemption in IAS 28 *Investments in Associates and Joint Ventures* for investment-linked insurance funds. Judgement is applied in assessing which entities the group has the ability to significantly influence. Initial measurement is at fair value on trade date with subsequent measurement at fair value based on quoted repurchase prices at the close of business on the last trading day on or before the statement of financial position date, where applicable, or a fair value determined by other applicable valuation methods (discounted cash flow or earnings multiple). Fair value adjustments on mutual funds are recognised in profit or loss.
Common control transactions	Common control is defined as a business combination in which all of the combining entities (subsidiaries) are ultimately controlled by the same party both before and after the business combination, and control is not transitory.
	The cost of an acquisition of a subsidiary under common control is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Any costs directly attributable to the acquisition are expensed in profit or loss. On acquisition the carrying values of assets and liabilities are not restated to fair value. The acquirer incorporates assets and liabilities at their pre-combination carrying amounts. Any excess/deficit of the purchase price over the pre-combination recorded ultimate holding company's net asset value of the subsidiary is adjusted directly to equity. Any differences to values of the subsidiary's underlying assets and liabilities compared to those presented by the ultimate holding company and adjustments to achieve harmonisation of accounting policies will be adjusted on consolidation. Under this approach comparatives are not restated.
	The principles of when control arises are the same as those for interests in subsidiaries where purchase price accounting is applied.
Transactions with non- controlling interests	The group applies a policy of treating transactions, including partial disposals with non-controlling interests that do not result in the gain or loss of control, as transactions with equity owners of the group. For purchases of additional interests from non-controlling interests, the excess of the purchase consideration over the group's proportionate share of the subsidiary's additional net asset value acquired is accounted for directly in equity. Profits or losses on the partial disposal of the group's interest in a subsidiary to non-controlling interests are also accounted for directly in equity.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

3. Foreign currencies

The group's presentation currency is South African rand (ZAR). All amounts are shown in rand millions unless otherwise indicated. The functional currency of the group's operations is the currency of the primary economic environment where each operation physically has its main activities.

3.1 Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies that differ to the functional currency at the statement of financial position date are translated into the functional currency at the ruling rate at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction, and those measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains or losses are recognised as part of fair value adjustments on financial instruments in profit or loss.

3.2 Group foreign operations

Assets and liabilities of group foreign operations whose functional currency is different to the presentation currency are translated from their respective functional currency into the group's presentation currency at closing rates ruling at the statement of financial position date. The income and expenditure and equity movements are translated into the group's presentation currency at rates approximating the foreign exchange rates ruling at the date of the various transactions.

All resulting translation differences arising from the consolidation and translation of foreign operations are recognised in other comprehensive income and accumulated in equity as a foreign currency translation reserve.

When a foreign operation is partially disposed of or sold, the cumulative amount of the exchange differences in the foreign currency translation reserve relating to that foreign operation is reclassified from the reserve to profit or loss when the gain or loss on disposal is recognised.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. Financial instruments

Initial recognition and measurement

Financial instruments at fair value through profit or loss are initially recognised at fair value and the transaction costs are immediately recognised in profit or loss. All other financial instruments are measured initially at fair value plus or minus directly attributable transaction costs and fees. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

4.1 Financial assets

Financial assets include financial investments, assets held-for-trading and for hedging, interests in associates and interests in joint ventures measured at fair value through profit or loss, repurchase agreements, scrip and collateral assets, receivables that are not measured under IFRS 4, cash and cash equivalents and intercompany balances.

4. Financial instruments (continued)

4.1 Financial assets (continued)

Financial assets

Financial assets are classified based on the business model and nature of cash flows associated with the instrument.

Nature

Amortised cost	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows. • 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. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement.
Fair value through OCI	The group and company have no equity instruments that have been elected to be measured at fair value through other comprehensive income. A debt instrument that meets both the following conditions (other than those designated at fair value through profit or loss): • held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; 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. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement.
Held-for-trading	Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise.
Fair value through profit or loss (default)	Financial assets that are not classified into one of the abovementioned financial asset categories; and/or where the business model is that performance is assessed on a fair value basis.

Subsequent measurement

Subsequent to initial measurement, financial assets are classified, according to the business model assessment, in their respective categories and measured at either amortised cost or fair value as follows:

Amortised cost (policy loans receivable that are at amortised cost)	Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate. Interest income is shown as a separate line on the face of the income statement (combined with interest income on financial assets held at fair value through OCI).
Fair value through OCI (applicable to the consolidated money market mutual fund)	Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to fair value adjustments on financial instruments. Expected credit impairments losses are recognised as part of impairment charges. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on debt financial assets is recognised in interest income in terms of the effective interest method. Interest income from these assets is shown as a separate line on the face of the statement of profit or loss (combined with interest from financial assets held at amortised cost).
Held-for-trading (derivatives)	Fair value, with gains and losses arising from changes in fair value recognised in fair value adjustments.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on financial assets are recognised in the income statement as part of fair value gains or losses on financial instruments.
Fair value through profit or loss (default)	Fair value gains and losses on the financial asset are recognised in the income statement as part of fair value gains or losses on financial instruments.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

4. Financial instruments (continued)

4.1 Financial assets (continued)

Impairment

Expected credit losses (ECL) are recognised on debt financial assets classified as at either amortised cost or fair value through OCI and financial guarantee contracts that are not designated at fair value through profit or loss (for financial guarantee contracts, ECL is one of the measurement methods to determine the carrying value of the financial guarantee).

The measurement basis of the ECL of a financial asset includes assessing whether there has been a significant increase in credit risk (SICR) at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. A significant change in credit risk (SICR) is when there is a material change in the probability of default, since origination. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • Default: A financial asset is considered to be in default when there is objective evidence of impairment. Exposures which are overdue for more than 90 days are also considered to be in default. • Significant financial difficulty of borrower and/or modification. • Probability of bankruptcy or financial reorganisation. • Disappearance of an active market due to financial difficulties.

ECLs are recognised as a deduction from the gross carrying amount of assets measured at amortised cost. Therefore, assets subject to ECLs are disclosed on a net basis, in the statement of financial position. The gross ECLs are disclosed in the note.

Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

Cash and cash equivalents

Cash and cash equivalents comprise:

- balances with banks;
- highly liquid short-term funds on deposit; and
- cash on hand.

Instruments included in this category are those with an initial term of three months or less from the acquisition date. It does not include money market securities held for investment. Cash and cash equivalents are classified according to the business model assessment, either at fair value through profit or loss (default), or at amortised cost. Due to the short-term nature of cash and cash equivalents, the amortised cost approximates the fair value.

Prepayments and other receivables

Other receivables are initially measured at fair value through profit or loss, with subsequent measurement at fair value through profit or loss (default) or at amortised cost. Those balances at amortised cost are subject to ECL impairment testing. The group has elected to apply the simplified approach for trade receivables that do not contain a significant financing component, (i.e. contract assets). This means that the entity assesses lifetime losses on day one and does not have to do the three-stage testing as per the general ECL calculation. Prepayments are not financial instruments as defined.

Reclassification

Reclassifications of financial assets under IFRS 9 are permitted when, and only when, the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the investments have expired or on trade date when they have been transferred and the group has also transferred substantially all risks and rewards of ownership.

4. Financial instruments (continued)

4.2 Financial liabilities

Financial liabilities include financial liabilities under investment contracts, third-party financial liabilities arising on consolidation of mutual funds, financial liabilities, liabilities held-for-trading and for hedging, repurchase agreements liabilities and collateral deposits payable and insurance and other payables.

Nature

Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value if in doing so it would eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis.
Amortised cost	All other financial liabilities not included in the above categories.

Subsequent measurement

Held-for-trading	• Fair value, with gains and losses arising from changes in fair value recognised in fair value adjustments on financial instruments.
Designated at fair value through profit or loss	• Fair value, with gains and losses arising from changes in fair value (including finance costs but excluding fair value gains and losses attributable to own credit risk) recognised in the fair value adjustments on financial instruments. • Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within profit or loss.
Amortised cost	• Amortised cost using the effective interest method recognised in interest expense.

Other payables

Other payables are initially measured at fair value through profit or loss, with subsequent measurement either at fair value through profit or loss (default) or at amortised cost, depending on the business model assessment.

Reclassification – a financial liability may not be reclassified.

Derecognition – financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

Inter-company loans (assets and liabilities)

Based on an assessment of the business model and contractual cash flows under IFRS 9, in the company financial statements, inter-company loans (being financial instruments) are classified at amortised cost. Refer to the impairment section above for subsequent measurement related to inter-company assets.

4.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- The amount determined in accordance with the expected credit loss model in IFRS 9; and
- The amount initially recognised (fair value) less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Liberty Holdings Limited company provided a guarantee to external noteholders for Liberty Group Limited's subordinated notes issued. For guarantees between a holding company and its subsidiary, IFRS does not explicitly provide guidance but the accounting is based on the substance of the transaction for the issuer and there is a choice for the issuer of the guarantee to either debit the cost of investment in subsidiary or debit an expense in profit or loss. The company's accounting policy choice is to debit the cost of investment in subsidiary on day one.

IFRS does not explicitly provide guidance for the borrower of a guarantee. As the borrower of the guarantee (being Liberty Group Limited), based on the substance of the parent / subsidiary relationship, Liberty Group Limited has recognised a capital contribution from its parent, on the issue of the subordinated notes. Liberty Holdings Limited has charged Liberty Group Limited for the provision of the guarantee, which will be recognised as an expense over the term of the subordinated notes.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

4. Financial instruments (continued)

4.4 Derivative financial instruments

GENERAL	INITIAL RECOGNITION	SUBSEQUENT MEASUREMENT
Derivative financial instruments • **Financial asset when fair value is positive** • **Financial liability when fair value is negative**	Initially recognised at fair value on the date the derivative contract was entered. The best evidence of fair value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable market data.	Subsequently measured at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models. The method of recognising fair value gains and losses depends on whether the derivatives are designated as: • hedging instruments, and if so, the nature of the hedge relationship; or • held-for-trading instruments.

4.5 Hedge accounting

The group applied IAS 39 for all hedging relationships for the 2020 reporting period. As of 1 January 2021, the group applied IFRS 9 General Hedge Accounting (GHA) prospectively apart from certain cash flow hedge relationships where the group has elected to exclude foreign currency basis spreads from the hedge relationship, where GHA has been applied retrospectively. The group currently only applies hedge accounting to certain cash flow hedges of currency risk.

Derivatives are designated by the group into the following relationships:

TYPE OF HEDGE	NATURE AND TREATMENT
Derivatives that qualify for cash flow hedge accounting	Those derivatives designated as hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction. Hedge accounting is applied when the hedging relationship meets the following hedge effectiveness requirements: • there is an economic relationship between the hedged item and the hedging instrument; • the effect of credit risk does not dominate the value changes that result from that economic relationship; and • the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. The group documents, at the inception of the hedge relationship, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships. The group documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items.

4. Financial instruments (continued)

4.5 Hedge accounting (continued)

TYPE OF HEDGE	NATURE AND TREATMENT
Cash flow hedges	The effective portion of changes in the fair value (excluding the movement in foreign currency basis spreads) of derivatives that are designated and qualify as cash flow hedges (hedging instruments) are recognised initially in the total cash flow hedge reserve in other comprehensive income (OCI). This amount is limited to the cumulative change in fair value of the hedged item from inception of the hedge The ineffective portion of changes in the fair value of the hedging instrument is recognised immediately in profit or loss as fair value adjustments to assets held at fair value through profit or loss. Amounts recognised in OCI are recycled to profit or loss in the periods in which the forecasted hedged item impacts profit or loss. If the forecast transaction (hedged item) is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately transferred to profit or loss as fair value adjustments to assets held at fair value through profit or loss. The change in fair value of the hedging instrument related to the foreign currency basis spread is separately accounted for as a cost of hedging and is recognised as the foreign currency basis spread reserve within the total cash flow hedge reserve. The movement in foreign currency basis spreads priced into the terms of the hedging instrument, to the extent that it relates to the hedged item, is recycled on a systematic and rational basis over the period of the hedging relationship to profit or loss. If the hedging instrument expires, is sold, terminated, exercised, or no longer meets the criteria for cash flow hedge accounting, then hedge accounting is discontinued. Cash flow hedge accounting is also discontinued if the hedged cash flows are no longer highly probable, if the entity changes its risk management objective or if the variability of cash flow ceases.
Derivatives that do not qualify for hedge accounting	All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss as fair value adjustments to assets held at fair value through profit or loss.

Further disclosure is included in the group financial instruments note.

4.6 Fair value

Fair value is applied as defined in IFRS 13. It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The group holds a number of financial instruments that are classified as held for trading or held for hedging and designated or default at fair value through profit or loss.

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument or is determined using valuation models with only observable market data as inputs. Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument or determined using valuation models that utilise non-observable market data as inputs.

Subsequent to initial recognition, fair value is measured based on quoted market prices or dealer price quotations for assets and liabilities that are traded in active markets and where those quoted prices represent fair value at the measurement date. If the market for an asset or liability is not active or the instrument is unlisted, the fair value is determined using other applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, net asset values, pricing models and other valuation techniques commonly used by market participants.

IFRS 13 requires disclosure of fair value measurements by level according to the following fair value hierarchies:

- Level 1 – Values are determined using readily and regularly available quoted prices in an active market for identical assets or liabilities. These prices would primarily originate from the Johannesburg Stock Exchange, the Bond Exchange of South Africa or an international stock or bond exchange.
- Level 2 – Values are determined using valuation techniques or models, based on assumptions supported by observable market prices or rates either directly (that is, as prices) or indirectly (that is, derived from prices) prevailing at the financial position date. The valuation techniques or models are periodically reviewed, and the outputs validated.
- Level 3 – Values are estimated indirectly using valuation techniques or models for which one or more of the significant inputs are reasonable assumptions (that is unobservable inputs), based on market conditions.

Realised and unrealised gains or losses arising from changes in the fair value of these financial assets are recognised in profit or loss within net fair value gains on financial assets at fair value in the period in which they arise. The fair value of financial assets with standard terms and conditions and traded on active liquid markets is determined by reference to regulated exchange quoted ruling market prices at the close of business on the last trading day on or before the statement of financial position date. If quoted market prices are not available, reference is also made to readily and regularly available broker or dealer price quotations. For units in mutual funds and shares in open-ended investment companies, fair value is determined by reference to published repurchase prices.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

4. Financial instruments (continued)

4.6 Fair value (continued)

If a market for a financial asset is not active, the group establishes fair value by using various valuation techniques detailed in the fair value hierarchy note to the annual financial statements. These include the use of recent arm's length transactions, reference to the current market value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Where the fair value of financial instruments is determined using discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

Fair value adjustments for unquoted instruments are included in fair value adjustments to assets held at fair value through profit or loss and are determined as follows:

INSTRUMENT	VALUATION TECHNIQUE	METHOD OF VALUATION
Fixed and variable rate preference shares, bonds and inflation-linked bonds	Discounted cash flow (DCF) model	Cash flows are projected by using either the applicable fixed dividend/ coupon, or by extrapolating the future variable dividend/ coupon using an applicable market implied curve. These dividends/ coupons are then valued using a discount curve which allows for the credit risk of the particular issuer, where the credit spread is derived from instruments which display similar credit risk characteristics.
Structured notes (including credit-linked and equity-linked notes)	DCF model.	Fair valued by unbundling the notes into its constituent parts and summing the value of each of these parts. The funded portion of the note is valued as a floating rate deposit or floating rate credit instrument using a DCF model. Changes in the probability of default of either issuer or any reference entity results in a credit adjustment to the value of the instrument. Embedded optionality is valued using an appropriate option-pricing model. Fixed rate notes generally include an interest rate swap, and this is valued using the appropriate market implied curve. The sum of these components is used as the value of the structured note.

INSTRUMENT	VALUATION TECHNIQUE	METHOD OF VALUATION
Swaps	DCF model.	Cash flows are projected either by using the applicable fixed coupon, or by extrapolating the future variable coupon using an applicable market implied curve. These coupons are then valued using a market implied swap discount curve.
Forwards	DCF model.	Fair valued by comparing the agreed forward price to the market implied forward price of the instrument, and discounting the difference using a market implied discount curve.
Unlisted equities and debt (including unlisted variable rate preference shares)	DCF model.	Fair valued using appropriate valuation techniques such as DCF analysis or recent arm's length market transactions in respect of the equity instrument.

4. Financial instruments (continued)

4.6 Fair value (continued)

INSTRUMENT	VALUATION TECHNIQUE	METHOD OF VALUATION
Fixed deposits and negotiable certificates of deposit	Present value of the nominal value (being the fair value) and DCF model.	The NCD cash flows are projected either by using the applicable fixed coupon, or by extrapolating the future variable coupon using an applicable market implied curve. These coupons are then valued using a market implied swap discount curve adjusted for the probability of default.
Investment policies with other insurers	Fair values based on the underlying investments supporting the policy, adjusting for applicable liquidity or credit risk.	
Over-the-counter options (OTC)	Fair valued using an appropriate option-pricing model, for example the Black Scholes Model.	

Repurchase agreements, scrip and collateral assets

Securities sold subject to linked repurchase agreements are reclassified in the statement of financial position as repurchase agreements. Such securities are measured in accordance with the measurement policy as described under the accounting policy for financial assets. The liability to the counterparty is included in repurchase agreements liabilities and collateral deposits payable on the statement of financial position. The difference between the repurchase and sales price is treated as interest and amortised over the life of the repurchase agreement using the effective interest method and disclosed as finance costs over the period of the agreement in the statement of comprehensive income. Financial assets pledged as collateral on derivative positions are disclosed with repurchase agreements, scrip and collateral assets on the statement of financial position. Marketable securities lent under scrip lending arrangements are measured in accordance with the stated accounting policy applicable to the security and are reflected on the statement of financial position.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

5. Policyholder insurance and investment contacts

5.1 Professional Guidance issued by the Actuarial Society of South Africa

In terms of IFRS 4, insurance contracts are measured under existing local practice at the date of adoption of IFRS 4. The group had, prior to the adoption of IFRS 4, adopted the guidance issued by the Actuarial Society of South Africa to determine the value in respect of insurance contracts issued in South Africa. The group has continued to value long-term insurance contracts in accordance with this guidance being either 'Advisory Practice Note' (APN) or 'Standard of Actuarial Practice' (SAP) depending on whether the guidance is 'best practice' or 'mandatory' respectively.

These are available on the Actuarial Society of South Africa website (www.actuarialsociety. org.za).

Where applicable, the APNs and SAPs are referred to in the accounting policies and notes to the annual financial statements.

5.2 Insurance and investment contract classification

The group enters into contracts that transfer insurance risk or financial risk or, in some cases, both.

Insurance contract	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder or, in the case of life annuities, the lifespan of the policyholder is greater than that assumed. Such contracts may also transfer financial risk. The group 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. Where the value of policyholder contracts is negative or positive in aggregate, this is shown as long-term policyholder liabilities – insurance contracts and long-term policyholder assets – insurance contracts. Insurance contracts where the group accepts significant insurance risk from the policyholder are classified depending on the duration of or the type of insurance risk, as follows: • long-term insurance; and • short-term insurance. Insurance contracts where another insurer (or reinsurer) accepts significant insurance risks from the group are reinsurance contracts.
Investment contract	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 instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other measurable variable. Policyholder investment contracts are classified depending on the duration of or the type of investment benefit, as follows: • long-term investment with discretionary participation feature (DPF); • and long-term investment without DPF.

5.3 Discretionary participation features (DPF)

A number of insurance and investment contracts contain a DPF. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the group; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract; and/or
  - realised and/or unrealised investment returns on a specified pool of assets held by the group.

The terms and conditions or practice relating to these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and limits within which the group may exercise its discretion as to the quantum and timing of the payment to policyholders.

A proportion, as set out in the policy conditions, of the eligible surplus (usually 9/10ths of the surplus) must be attributed to policyholders as a group (which can include future policyholders), while the amount and timing of the distribution to individual policyholders is at the discretion of the group, subject to the advice of the head of actuarial function. Management of this business is in accordance with the group's Published Principles and Practices of Financial Management. The terms reversionary bonus and smoothed bonus refer to the specific forms of DPF contracts underwritten by the group.

All components in respect of DPFs are included in the policyholder liabilities.

5. Policyholder insurance and investment contracts (continued)

5.4 Long-term insurance contracts

Measurement	These contracts are valued in accordance with the Financial Soundness Valuation (FSV) method as described in SAP 104, using a discounted cash flow methodology. The value of the policyholder contract is reflected as policyholder liabilities under insurance contracts and investment contracts with DPF if the value is negative in aggregate and as policyholder assets under insurance contracts, if the value is positive in aggregate. The discounted cash flow methodology allows for premiums and benefits payable in terms of the contract, future administration expenses and commission, investment return and tax and any expected losses in respect of options. The value of the contracts is based on assumptions of the best estimate of future experience, plus compulsory margins as required in terms of SAP 104, plus additional discretionary margins. Derivatives embedded in the group's insurance contracts are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as an insurance contract. The liabilities in respect of the investment guarantees underlying maturity and death benefits and guaranteed annuity options are measured in accordance with APN 110 on a market-consistent basis. Discretionary margins are held to ensure that the profit and risk margins in the premiums are not capitalised before it is probable that future economic benefits will flow to the entity. Profits emerge over the lifetime of the contracts in line with the risks borne by the group. Discretionary margins include an allowance for the shareholders' participation in the investment bonus expected to be declared and a portion of the management fees levied under certain classes of investment-linked business. In addition, discretionary margins are held where required for prudent reserving. Liabilities for individual investment-linked policies where benefits are in part dependent on the performance of underlying investment portfolios (including business with stabilised bonuses) are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date (the investment-linked reserve element), reduced by the excess of the present value of the expected future risk and expense charges over the present value of the expected future risk benefits and expenses on a policy-by-policy cash flow basis (the rand reserve element). Reversionary bonus classes of policies and policies with fixed and guaranteed benefits are valued by discounting the expected future cash flows at market-related rates of interest, reduced by an allowance for investment expenses and the relevant compulsory margins (the guaranteed element). Future bonuses have been allowed for at the latest declared rates where appropriate. The rand reserve element of investment-linked policies and the guaranteed element in respect of other policies are collectively known as the rand reserve. In respect of corporate life and lump sum disability 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. For corporate investment contracts with DPF, in addition to the value of the policies' investment in the investment portfolios held, an additional provision will be held if the expected fee recoveries in the short term are not sufficient to meet expected expenses. Within the group all investment contracts invested in smoothed bonus portfolios are classified as investment contracts with DPF. In respect of insurance and investment contracts with DPF where bonuses are smoothed, bonus stabilisation provisions are held arising from the difference between the after taxation investment performance of the assets net of the relevant management fees and the value of the bonuses declared. In accordance with SAP 104, where the bonus stabilisation provision is negative, this provision is restricted to an amount that can reasonably be expected to be recovered through under-distribution of bonuses during the ensuing three years. All bonus stabilisation provisions are held as part of the liabilities under these contracts. The liability estimates are reviewed biannually. Any changes in estimates of the liability are reflected in profit or loss as they occur. Where policyholders, in respect of certain policies, are entitled to a part surrender, any part surrender is treated as a derecognition of the policyholder liability. Shadow accounting is applied to policyholder insurance contracts where the underlying measurement of the policyholder insurance liability depends directly on the fair value of any owner-occupied properties. Any unrealised gains and losses on such owner-occupied properties are recognised in other comprehensive income as described in accounting policy 6.2. The shadow accounting adjustment to policyholder insurance contracts is recognised in other comprehensive income to the extent that the unrealised gains or losses, together with any related taxation on owner-occupied properties backing policyholder insurance liabilities are also recognised directly in other comprehensive income.
Incurred but not reported claims	Provision is made in the long-term policyholder liabilities under insurance contracts for the estimated cost at the end of the year of claims incurred but not reported (IBNR) at that date. IBNR provisions for the main categories of business are calculated using run-off triangle techniques. These liabilities are not discounted due to the short-term nature of IBNR claims
Liability adequacy test	At each statement of financial position date the adequacy of the insurance liabilities is assessed. If that assessment shows that the carrying amount of the insurance liabilities (as measured under the FSV basis) net of any related intangible present value of acquired in-force (PVIF) businesses assets is inadequate in light of the estimated future cash flows (based on the best estimate basis underlying the FSV basis, but excluding compulsory margins as described in SAP 104 as well as any discretionary margins), the deficiency is recognised in profit or loss.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

5. Policyholder insurance and investment contracts (continued)

5.4 Long-term insurance contracts (continued)

Claims	Claims on insurance contracts, which include death, disability, maturity, surrender and annuity payments, are charged to the income statement when notified of a claim based on the estimated liability for compensation owed to policyholders. Outstanding claims are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.
Acquisition costs	Acquisition costs for long-term insurance contracts represent commission and other costs (including bonuses payable and the company's contribution to agents' pension and medical aid funds) that relate to the securing of new contracts and the renewing of existing contracts. These costs are expensed as incurred. The FSV method for valuing insurance contracts and investment contracts with DPF makes implicit allowance for the deferral of acquisition costs and hence no explicit deferred acquisition cost asset is recognised in the statement of financial position for these contracts.

5.5 Long-term investment contracts with a DPF switching option

Measurement	On certain investment contracts, policyholders have an option to switch some or all of their investment from a DPF fund to a non-DPF fund (and vice versa). The value of the liability held with respect to these contracts is taken at the aggregate value of the policyholder investment in the investment portfolio at the valuation date.

5.6 Long-term investment contracts without DPF measurement

Measurement and initial recognition	The group issues investment contracts, as follows:	
	Without fixed benefits (investment-linked and structured products). Fair value of these financial liabilities is dependent on the fair value of the underlying financial assets, derivatives and/or investment property and are designated at inception as at fair value through profit or loss. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. The group's valuation methodologies incorporate all factors that market participants would consider and are based on observable market data. The fair value of an investment-linked financial liability is determined using the current unit price multiplied by the number of units attributed to the policyholder at the statement of financial position date. If an investment contract is subject to a put or surrender option exercisable at the reporting date, the fair value of the financial liability is never less than the amount payable on the put or surrender option.	With fixed and guaranteed benefits (term certain annuity). Future benefit payments and premium receipts are discounted using market-related rates at the relevant statement of financial position date. Profit on initial recognition is amortised over the life of the contract.
Service fees on investment management contracts and deferred revenue liability (DRL)	Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered. A DRL is recognised in respect of upfront fees, which are directly attributable to a contract, that are charged for investment management services. The DRL is then released to revenue when the services are provided, over the expected duration of the contract on a straight-line basis (living annuities released over 10 years, on other products, released over 5 years). Regular charges billed in advance are recognised on a straight-line basis over the billing period, which is the period over which the service is rendered. Outstanding fees are accrued as a receivable in terms of the investment management contract.	
Amounts received and claims incurred on investment management contracts	Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities, whereas claims incurred are recorded as deductions from investment contract liabilities.	
Deferred acquisition costs (DAC) in respect of investment contracts	Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained, or existing investment contracts are renewed. These costs are expensed when incurred, unless specifically attributable to an investment contract with an investment management service element. Such costs are deferred and amortised over the expected life of the contract (10 – 16 years for linked annuities, one year for corporate investment business and five years for other investment contracts) taking into account all decrements, on a straight-line basis, as they represent the right to receive future management fees. A DAC asset is recognised for all applicable policies with the amortisation being calculated on a portfolio basis. An impairment test is conducted annually at reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.	

5. Policyholder insurance and investment contacts (continued)

5.7 Short-term insurance

Short-term insurance provides benefits under short-term policies, typically one year or less, under which the group accepts significant insurance risks from the policyholder if the policyholder incurs losses relating to uncertain future events such as mechanical breakdown of equipment, theft, fire, weather-related events, fraud, third-party claims and medical expenses etc.

Provision for unearned premiums on short-term contracts	The provision for unearned premiums represents the portion of the current financial year's premiums that relates to risk periods extending into the following year. The unearned premiums are calculated using a straight-line basis, except for those insurance contracts where allowance is made for uneven exposure.
Liability adequacy on short-term contracts	Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs.
Provision for reported claims and claims incurred but not reported (IBNR)	Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and loss adjustment expenses are charged to the income statement as incurred based on the estimated liability for compensation owed to contract holders or third-parties damaged by the contract holders. The group's own assessors or contracted external assessors individually assess claims. The claims provisions include an estimated portion of the direct expenses of the claims and assessment charges. Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the group at that date (IBNR claims). This provision is calculated using the chain ladder run-off triangle technique. These provisions for claims are not discounted for the time value of money due to the expected short duration to settlement.
Deferred acquisition costs (DAC)	Commissions that vary and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned and recognised as an asset. All other costs are recognised as expenses when incurred. Refer to note 9 of the group annual financial statements for details of amounts recognised in profit or loss.
Deferred revenue liability (DRL)	A deferred revenue liability (DRL) is raised for any income receivable on the placement of reinsurance for risks arising from short-term insurance contracts. The DRL is released to income systematically over the coverage period of the respective reinsurance contract.

5.8 Receivables and payables

Receivables and payables relating to insurance are recognised when due. These include amounts due to and from insurance contract holders and policyholders. The receivables are included under prepayments, insurance and other receivables and the payables are included under insurance and other payables.

Receivables and payables related to insurance contracts are subsequently measured in terms of IFRS 4.

5.9 Reinsurance contracts held

The group cedes some insurance risk in the normal course of business. Reinsurance contracts are contracts entered into by the group with reinsurers under which the group is compensated for the entire or a portion of losses arising on one or more of the insurance contracts issued by the group.

The measurement of reinsurance contracts is the same as for long-term insurance contracts. The value of reinsurance contracts is reflected as a reinsurance asset if positive in aggregate, and as a reinsurance liability if negative in aggregate. Short-term balances due from reinsurers are classified within prepayments, insurance and other receivables.

Reinsurance assets are assessed for impairment at each statement of financial position date. If there is reliable objective evidence, as a result of an event that occurred after its initial recognition, that amounts due may not be recoverable, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss.

Outward reinsurance premiums are recognised as an expense and are accounted for in the same accounting period that premiums received are recognised as revenue.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

6. Non-financial assets

6.1 Investment properties

Investment properties include property that is being constructed or developed for future use as investment property. They are held to earn rental income and capital appreciation.	If the fair value of investment property under construction or development cannot be measured reliably, it is measured at cost until such time as construction is complete or fair value can be reliably measured. The open-market fair value is determined annually by independent professional valuators. The fair value adjustments on investment properties are included in profit or loss as fair value adjustments to assets held at fair value through profit or loss in the period in which these gains or losses arise and are adjusted for any double counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination.

6.2 Owner-occupied properties

NATURE	MEASUREMENT	DEPRECIATION
Owner-occupied properties are held by the group for use in the supply of services or for its own administration purposes.	Owner-occupied properties are stated at revalued amounts, being fair value at the date of valuation less subsequent accumulated depreciation for buildings and accumulated impairment losses. If the open-market valuation information cannot be reliably determined, the group uses alternative valuation methods such as discounted cash flow projections or recent prices on active markets. The fair value adjustments on owner-occupied properties are recognised in OCI and accumulated in a revaluation reserve in equity to the extent that the accumulated adjustment is a surplus. Any accumulated deficits are recorded in profit or loss. On disposal or transfer (change in use) of owner-occupied properties to investment properties, the amounts included in the revaluation reserve are transferred directly to retained surplus. The deemed cost for any reclassification (between investment properties and owner- occupied properties) is at fair value, at the date of reclassification.	Depreciation is recognised in profit or loss within general marketing and administration expenses at rates appropriate to the expected useful lives of owner-occupied buildings and any significant component part. Land is not depreciated. Depreciation is calculated on the opening open-market fair value less any expected residual value. If the expected residual value is greater than or equal to the carrying value, no depreciation is provided for. On the date of the revaluation, any accumulated depreciation is eliminated against the gross carrying amount of the property and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount for each property. Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is directly transferred net of any related deferred taxation, between the revaluation reserve and retained earnings as the property is utilised.

6. Non-financial assets (continued)

6.3 Leases

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 Lessee accounting policies (effective from 1 January 2019)

TYPE AND DESCRIPTION	STATEMENT OF FINANCIAL POSITION	STATEMENT OF COMPREHENSIVE INCOME
Single lessee accounting model All leases are accounted for by recognising a right-of-use asset and a lease liability except for: • leases of low value assets; and • leases with a duration of twelve months or less.	Lease liabilities: Initially measured at the present value of the contractual payments due to the lessor over the lease term. The lease term is the non-cancellable period of a lease, which includes periods when the lessee is reasonably certain to exercise an option to extend the lease or not to terminate a lease. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option. The discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the group) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes: • Amounts expected to be payable under any residual value guarantee; • The exercise price of any purchase option granted in favour of the group, should it be reasonably certain that this option will be exercised; • Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised. Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.	**Interest expense on lease liabilities:** A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.
	Right-of-use assets: Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: • lease payments made at or before commencement of the lease; • initial direct costs incurred; and • the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset. The group applies the cost model subsequent to the initial measurement of the right-of-use assets.	**Depreciation and impairment on right-of-use assets:** Subsequent to initial measurement, the right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the group at the end of the lease term, whereby the right-of-use assets are depreciated on a straight- line basis over the remaining economic life of the asset. This depreciation is recognised as part of general marketing and administration expenses.
	Termination of leases: When the group or lessor terminates or cancels a lease, the right-of-use asset and lease liability are derecognised.	**Termination of leases:** On derecognition of the right-of-use asset and lease liability, any difference is recognised as a derecognition gain or loss together with termination or cancelation costs in profit or loss.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

6. Non-financial assets (continued)

6.3 Leases (continued)

TYPE AND DESCRIPTION	STATEMENT OF FINANCIAL POSITION	STATEMENT OF COMPREHENSIVE INCOME
All leases that meet the criteria as either a lease of a low value asset or a short-term lease are accounted for on a straight-line basis over the lease term.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.
Reassessment and modification of leases	**Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:** When the group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right-of- use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right-of-use asset is reduced to zero any further reduction in the measurement of the lease liability, is recognised in profit or loss. For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease. **Lease modifications that are accounted for as a separate lease:** When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modification as a separate new lease. This accounting treatment equally applies to leases which the group elected the short-term lease exemption and the lease term is subsequently modified.	

6. Non-financial assets (continued)

6.3 Leases (continued)

IFRS 16 *Leases* - Lessor accounting policies

TYPE AND DESCRIPTION	STATEMENT OF FINANCIAL POSITION	STATEMENT OF COMPREHENSIVE INCOME
Finance leases Leases, where the Group transfers substantially all the risks and rewards incidental to ownership, are classified as finance leases.	Finance lease receivable, including initial direct costs and fees, are primarily accounted for as financing transactions, with rentals and instalments receivable, less unearned finance charges.	Finance charges earned within interest income are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease.
Operating leases All leases that do not meet the criteria of a financial lease are classified as operating leases.	The asset underlying the lease continues to be recognised and accounted for in terms of the relevant group accounting policies. Accruals for outstanding lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease income are recognised.	Operating lease income net of any incentives given to lessees, is recognised on the straight-line basis, or a more representative basis where applicable, over the lease term and is recognised in operating income. The group accounts for a modification to an operating lease as a new lease from the effective date of the modification, and includes any residual amount relating to 'Operating leases-accrued income or expense' that relates to the original lease as part of the lease payments for the new lease. A modification of a lease arises when there is a change that is not part of the original terms and conditions of the lease. Refer to key judgements for more detail regarding COVID-19 related rent concessions. When an operating lease is terminated before the lease period has expired, any payment received/(paid) by the group by way of a penalty is recognised as income/(expense) in the period in which termination takes place.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

6. Non-financial assets (continued)

6.4 Intangible assets

TYPE AND DESCRIPTION	INITIAL RECOGNITION	SUBSEQUENT MEASUREMENT, IMPAIRMENT AND AMORTISATION
Goodwill	Goodwill represents the excess of the cost of acquisition of a business combination over the fair value attributable to Liberty's share of the net identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets and goodwill on acquisitions of associates and joint ventures is included in interests in associates and interests in joint ventures respectively. Goodwill is capitalised at opening net carrying value for business combinations prior to that date, or cost in respect of subsequent acquisitions. Goodwill is allocated to cash-generating units (CGU) being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.	Goodwill is tested annually for impairment and carried at capitalised value less accumulated impairment losses. Any impairment calculated is expensed to profit or loss. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold. Each CGU containing goodwill is tested annually for impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets on a *pro rata* basis. Impairment losses relating to goodwill are not reversed.
Computer software development costs	Costs associated with maintaining computer software programs are recognised as an expense as incurred. However, costs that are associated with an identifiable system, which will be controlled by the group and has a probable benefit exceeding the cost beyond one year, are recognised as an asset. These costs comprise all directly attributable costs necessary to create, produce and prepare the asset for its intended use. Development costs are recognised as an intangible asset when the following criteria are met: · the group is able to demonstrate its intention and ability to complete and use the software; · the technical feasibility of the development can be demonstrated; · the availability of resources to complete the development can be demonstrated; · it can be demonstrated how the development will generate probable future economic benefits; and · the ability to reliably measure costs relating to the development.	Computer software development costs recognised as assets are amortised in profit or loss on a straight- line basis at rates appropriate to the expected useful life of the asset. Amortisation commences from the date the software is available and brought into use. As the software is proprietary and specific to the group operations, no residual value is estimated.

6. Non-financial assets (continued)

6.4 Intangible assets (continued)

TYPE AND DESCRIPTION	INITIAL RECOGNITION	SUBSEQUENT MEASUREMENT, IMPAIRMENT AND AMORTISATION
Present value of acquired in-force policyholder insurance contracts and investment contracts with discretionary participation features (DPF)	Where a portfolio of policyholder contracts is acquired, either directly from another insurer or through the acquisition of a subsidiary, the present value of acquired in-force (PVIF) business on the portfolio, being the net present value of estimated future cash flows of the existing contracts, is recognised as an intangible asset.	The PVIF is amortised on a basis consistent with the settlement of the relevant liability in respect of the purchased contracts and carried in the statement of financial position at cost less any accumulated amortisation. The estimated life is re-evaluated annually. These cash flows ignore the effects of taxation which is separately adjusted for on application of the deferred taxation accounting policy.
Customer relationships and contracts	Those acquired as part of business combination are capitalised at fair value, represented by the estimated net present value of the future cash flows from the relevant relationships and contracts acquired at the date of acquisition.	Subsequent to initial recognition, the intangible asset is amortised on a straight-line basis over the estimated useful/economically beneficial life. Amortisation is charged to profit or loss. The estimated useful life is re-evaluated on an annual basis.
Technology-based intangible assets	Consist of software acquired as part of business combinations and are capitalised at its fair value at the date of acquisition, as determined by an independent valuer. The fair value is determined utilising a method which calculates the cost involved in creation of the software.	The expected useful lives are included in note 3 to the group annual financial statements.
Distribution forces	The group capitalises the value attributed to contracted distribution forces that are acquired through business combinations that provide a competitive advantage to procure future new business. Values attributable to distribution forces are capitalised at the date of acquisition at the fair value determined by an independent valuer. The fair values are determined by an excess earnings valuation methodology.	

6.5 Equipment

The group's equipment provides it with the necessary infrastructure to operate effectively. Equipment principally comprises computer equipment and fixtures and fittings. The cost of these assets is recognised in the income statement over time as a depreciation charge. Where purchased software is an integral part of the related hardware, it is accounted for as equipment, however where that software is not integral to the related hardware, it is accounted for as an intangible asset. Depreciation periods are detailed in note 5 of the group annual financial statements.

6.6 Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 profit or loss 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).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

7. Equity

Equity shares	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, net of tax, from the proceeds. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business reduce the proceeds from the equity issue.
Treasury shares	Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders on consolidation until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity. Any net income in relation to treasury shares (both fair value movements and dividends) is eliminated from group profit for the year. The number of shares in the earnings per share calculation is reduced for treasury shares held during the period on a weighted average basis.
Black economic empowerment (BEE) transaction	Investments in BEE entities via equity instruments, the proceeds of which were used by the BEE entities to finance share purchases from shareholders to facilitate Liberty's 2004 BEE transaction, do not meet the IAS 32 definition of a financial asset and are considered to be a reduction of equity. Cash flows arising from Liberty Holdings Limited's dividends are used by the BEE entities to redeem these equity instruments and fulfil dividend obligations and are recognised directly in equity. The number of shares in the earnings per share calculation is reduced for the respective weighted average Liberty Holdings Limited shares held by the BEE entities.

8. Other significant accounting policies

8.1 Employee benefits

TYPE OF BENEFIT	DESCRIPTION
Leave pay provision	The group recognises a liability for the amount of accumulated leave if the group 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 scheme	Incentive scheme bonuses are short-term bonuses which are recognised as an expense as incurred when the group has a present or constructive obligation and the amount can be reliably measured.
Pension obligations (defined benefit and defined contribution plans)	Group companies operate various pension schemes. The schemes are generally funded through payments to trustee administered funds, determined by periodic actuarial calculations. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Defined benefit plan The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Plan assets exclude any insurance contracts issued by the group. The defined benefit obligation is calculated annually by appointed qualified statutory actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability. When the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan. The group's current service costs, any past service cost and gain or loss on settlement plus any net interest on the net defined benefit liability (asset) are recognised in profit or loss. Actuarial gains or losses return on plan assets and any change in the effect of the asset ceiling (excluding amounts recognised in net interest) are included in other comprehensive income. Net interest is determined by multiplying the net defined benefit liability (asset) (after allowing for the effect of limiting a net defined benefit asset to the asset ceiling) by the discount rate determined as at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest on the defined benefit liability (asset) therefore comprises the expected return on plan assets, interest cost on the defined benefit obligation and interest on the effect of applying the asset ceiling. Updated assumptions are used when a change to a plan either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. For active employees, amounts relating to future service are recognised as expenses or income systematically over the periods representing the expected remaining service period of employees. Defined contribution plans The group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
Other post-employment obligations	Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income immediately. Appointed qualified actuaries value these obligations annually.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

8. Other significant accounting policies (continued)

8.2 Revenue recognition

REVENUE TYPE	DESCRIPTION	RECOGNITION AND MEASUREMENT
Insurance premium income (recognised under IFRS 4)	Life-insurance premiums, health insurance premiums and short-term insurance premiums	Long-term insurance premiums – recognised when due in terms of the contract, other than in respect of universally costed policies (policies where insurance risk charges are dependent on the excess of the sum assured over the value of investments underlying the contract) and recurring premium pure risk policies (collectively the Lifestyle series) and corporate schemes. Premiums receivable in respect of corporate schemes are recognised when there is reasonable assurance of collection in terms of the policy contract. Premiums in respect of universally costed and recurring premium risk policies are recognised as premiums when received, as failure to pay a premium will result in a reduction of attributable fund value, if available, or else in the lapse of the policy. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in insurance and other payables. Gross written premiums on short-term contracts - accounted for as income when the risk relating to the insurance policy commences. This is recognised over the contractual period of risk cover by using an unearned premium provision. All premiums are shown before deduction of commission payable to intermediaries and exclude value-added tax (VAT).
Investment income (for financial instruments, recognised under IFRS 9, and for rental income, under IFRS 16)	Comprises rental income from properties, scrip lending fees and manufactured dividends and interest.	Dividends – recognised when the right to receive payment is established. Under IFRS 9, dividends received are included in the fair value adjustments for financial assets at fair value through profit or loss. Rental income – accounted for on a straight-line basis under IFRS 16 *Leases*. Scrip lending fees and manufactured dividends – recognised on an accrual basis and included in profit or loss within investment income. Interest income and expenses for all interest-bearing financial instruments: For financial instruments measured at fair value through profit or loss – recognised within fair value adjustments under IFRS 9 in profit or loss.
		For financial assets held at amortised cost or classified at fair value through other comprehensive income, as interest income on financial assets at amortised cost and financial assets classified at fair value through other comprehensive income; using the effective interest method.

8. Other significant accounting policies (continued)

8.2 Revenue recognition (continued)

Revenue recognition from contracts with customers Revenue from contracts with customers arises from transactions not associated with financial instruments, insurance contracts or investment properties.		
• **Fee revenue**	Management fees on assets under management, performance fees on assets under management, administration fees and development fees.	Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. Performance fees are earned, over and above asset management fees, on superior fund performance which exceeds specific agreed targets (typically market-related benchmarks) and are recognised when the performance obligation has been satisfied. Performance fees include variable consideration and therefore revenue is recognised only to the extent that it is highly probable that no significant revenue reversal will occur. In assessing whether a potential revenue reversal is significant, the group assesses the magnitude of the reversal in relation to the relevant contract as a whole. Administration fees received for the administration of medical schemes are recognised when the services are rendered, in accordance with the substance of the relevant agreements. Development fees are recognised over the period of the contract based on percentage of costs incurred.
• **Fee income on placement of reinsurance**	Fee income earned from reinsurers on placement of short-term reinsurance contracts.	Recognised over the term of the contract.

Revenue is recognised either when the performance obligation has been satisfied ('point in time') or as control of the goods or service is transferred to the customer ('over time'). This requires an assessment of the group and company's performance obligations and of when control is transferred to the customer. Where revenue is recognised over time, this is in general due to the group and company performing and the customer simultaneously receiving and consuming the benefits over the life of the contract as services are rendered. For each performance obligation over time, the group and company applies a revenue recognition method that faithfully depicts the group and company's performance in transferring control of the service to the customer. Due to the nature of the group's business, the majority of its revenue from contacts with customers is considered to be recognised 'over time'. If performance obligations in a contract do not meet the over time criteria, the group recognises revenue at a point in time.

Revenue is measured based on the consideration specified in contracts with customers, excluding amounts collected on behalf of third parties and, including an assessment of any variable consideration dependent on the achievement of agreed key performance indicators. Such amounts are only included based on the expected value or most likely outcome method, and only to the extent that it is highly probable that no significant revenue reversal will occur. In assessing whether a significant reversal will occur, the group considers both the likelihood and the magnitude of the potential revenue reversal.

As a result of the contracts which the group enters into with its customers, a number of different assets are recognised on the group's statement of financial position. Further details are included in note 12 of the group annual financial statements. Payment terms and conditions included in customer contracts are typically due in full within 30 days.

Deferred revenue

Upfront fees received on short-term insurance business and long-term investment contracts are recognised as a prepayment. These amounts are non-refundable and released to income as the services are rendered over the expected duration of the contract on a straight-line basis. Refer to note 19 of the group annual financial statements for the details of amounts recognised in profit or loss.

Appendix A – Detailed accounting policies (continued)

for the year ended 31 December 2021

8. Other significant accounting policies (continued)

8.3 Share-based payment transactions

The group operates equity settled share-based payment compensation schemes.

Equity compensation plans	The equity compensation staff incentive schemes that have unvested conditions are the equity growth scheme and the restricted share plan scheme and the performance reward plan.
Equity growth scheme	The equity growth scheme implemented during 2005 confers rights to permanent employees to acquire Liberty Holdings Limited shares equivalent to the value of the right at date of exercise. Delivery of the shares is effected at future dates, which are determined at the time of granting the rights. The rights issued to participants carry no entitlement to dividends or voting rights. The fair value of the rights is measured at grant date using an appropriate model which takes into account the terms and conditions of the scheme, as well as the historical share price movement. The fair value is expensed over the vesting period on a straight-line basis in the statement of comprehensive income, over the period during which employees will become entitled to the rights granted (vesting period). The expense recognised is adjusted to ultimately reflect the actual number of rights vested, after which no further adjustments are made. The expense is credited to a share-based payments reserve. When the rights have vested the relevant amount is transferred from the share-based payment reserve to retained surplus.
Restricted share plan	The restricted share plan was introduced in 2012 and allows for two methods of participation, namely: • deferred plan; • special deferred restricted share plan. Selected permanent key employees are granted fully paid-up shares at no consideration in terms of retention and, in certain cases, performance agreements. Unconditional vesting occurs on predetermined dates (depending on fulfilment of a service condition) subject in certain cases to performance targets being met. Prior to vesting, these shares are held in a trust, with the employee being the vested beneficiary to the economic value and income from the share. As such, participants are entitled to receive dividends on these shares during the vesting period but hold no voting rights. The fair value of the equity instruments granted on the date of grant is recognised in the statement of comprehensive income on a straight-line basis over the vesting period, adjusted to reflect actual levels of vesting. The expense is credited to a share-based payments reserve. There is no consideration payable by the participant when the shares vest, at which time the share-based payments reserve will be transferred to retained surplus.
Performance reward plan (PRP)	The plan is aimed at a small group of executives and senior management who are able to significantly influence the long-term performance of Liberty. Under this plan, awards granted will be fully subject to performance conditions. The allocation does not constitute the issue of ordinary shares nor does it give the participant any rights to ordinary shares of cash payments until performance conditions have been met. A cash award will be paid to participants at vesting dates equivalent to the dividends payable during the vesting period. The PRP is accounted for as equity-settled on consolidation and for LHL company. The fair value of the equity instruments granted is determined using a Black-Scholes method and is recognised in the statement of comprehensive income on a straight-line basis over the vesting period, adjusted to reflect actual levels of vesting. The expense is credited to a share-based payments reserve. There is no consideration payable by the participant when the shares vest, at which time the share-based payments reserve will be transferred to retained surplus. The payment of dividends will also be treated as an equity-settled share expense with the credit to retained income.

In calculating the amount to be expensed representing the value of share-based payments granted to employees and the movement in the liability of long-term cash incentive schemes, various assumptions relating to expected take up of rights and incentives, equity share price, dividend yields and related volatility are applied. Details of these are contained in note 38 to the group annual financial statements.

8. Other significant accounting policies (continued)

8.4 Taxation

Income taxation on the profit or loss for the periods presented comprises current and deferred taxation.

Current taxation

Current taxation is the expected taxation payable, using taxation rates enacted at the reporting date, including any prior year under or overprovisions.

The group is subject to taxation in a number of jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred taxation

Deferred taxation is provided in full using the liability method. Provision is made for deferred taxation attributable to temporary differences in the accounting and taxation treatment of items in the financial statements. A deferred taxation liability is recognised for all temporary differences, at enacted or substantially enacted rates of taxation at the statement of financial position date, except for differences:

- relating to goodwill;
- arising from initial recognition of assets or liabilities which affect neither accounting nor taxable profits or losses; and
- relating to investments in subsidiaries and joint arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

In respect of temporary differences arising on fair value adjustments on investment properties, deferred taxation is provided at the use rate if the property is considered to be a long-term strategic investment or at the capital gains effective rate if recovery is anticipated to be mainly through disposal.

A deferred taxation asset is recognised for the carry forward of unused taxation losses, unused taxation credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised. Deferred taxation assets are assessed for probable recoverability based on applicable estimated future business performance and related taxable projected income.

The major categories of assets and liabilities giving rise to a deferred taxation balance are unrealised investment and property gains and losses, policyholder liability differences between the tax and accounting basis, special transfer balances and provisions.

8.5 Provisions

Provisions are recognised when the group has a known present legal or constructive obligation of uncertain timing or amount, as a result of past events and it is probable that an outflow of the group resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Judgement is applied as to the quantum and timing of these resources considering all available information. 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.

8.6 Disposal groups held for sale

Non-current assets, or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than continuing use, are classified as held for sale or for distribution and are accounted for as follows:

Non-current assets held as investments for the benefit of policyholders as part of the group's investment management and life insurance activities are not classified as held for sale as ongoing investment management implies regular purchases and sales in the ordinary course of business.

- Immediately before classification as held for sale or for distribution, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies and tested for impairment. Thereafter, all the assets in the disposal group are measured at the lower of their carrying amount and fair value less costs to sell (this is an accounting policy choice and is not limited to only the non-current assets). Impairment losses on initial classification as held for sale or for distribution as well as subsequent gains and losses on remeasurement of these assets or disposal groups are recognised in profit or loss.
- Assets (or components of a disposal group) are presented separately in the statement of financial position.
- Property and equipment and intangible assets once classified as held for sale, are not depreciated or amortised.
- Once an interest in an associate or joint venture is classified as held for sale, equity accounting is suspended.

In presenting the group's non-current assets and liabilities as held for sale, intercompany balances are eliminated in full.

In the event that the held for sale operation ceases to be classified as held for sale, the disposal group shall be measured at the lower of:

- Its carrying amount before the asset (or disposal group) was classified as held for sale or as held for distribution to owners, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale or as held for distribution to owners, and
- Its recoverable amount at the date of the subsequent decision not to sell or distribute. (i.e. after any impairment losses that have been recognised in accordance with IAS 36).

8.7 Offsetting

Assets and liabilities are offset, and the net amount reported in the statement of financial position when:

- there is a current 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.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Appendix B – Liberty Holdings Limited share incentive schemes and utilisation of incentive share scheme allocation

for the year ended 31 December 2021

B1. Summary of unvested or unexercised Liberty restricted shares and subject to rights at 31 December 2021

2021	Shares/rights under share schemes at 1 January	Awards granted	Implemented[1]	Cancelled	Shares/rights under share schemes at 31 December
Equity growth scheme	11 627 628			(1 085 087)	10 542 541
Restricted shares – deferred plan	2 406 981	1 290 875	(881 151)	(210 936)	2 605 769
Restricted shares – long-term plan	2 144 952		(187 696)	(831 843)	1 125 413
Performance reward plan	1 462 598	2 612 861			4 075 459
Total	17 642 159	3 903 736	(1 068 847)	(2 127 866)	18 349 182

[1] *Implemented represents the fulfilment of obligations by the group under each scheme.*

On 1 March 2022 the Liberty ordinary shares were delisted following the completion of the Standard Bank Scheme of Arrangement that resulted in Standard Bank acquiring the minority shareholding in Liberty. As a consequence the unvested or unimplemented obligations of the various Liberty equity settled employee remuneration schemes, were either settled in cash or transferred to similar Standard Bank equity settled remuneration schemes. This was executed following an offer and acceptance process. The offer was aligned to the consideration under the scheme of arrangement received by Liberty minority shareholders. Refer note 51 'Events after reporting date' for further details.

B2. Equity growth scheme

Date granted	Price payable per share	Final vesting date	Rights under option at the beginning of the year	Rights (cancelled)/ reinstated during the year	Rights under option at the end of the year
24 Feb 11	74,70	24 Feb 16	231 675	(231 675)	
28 Mar 11	68,00	28 Mar 16	16 000	(16 000)	
3 May 11	71,90	3 May 16	10 000	(10 000)	
1 Jun 11	73,00	1 Jun 16	2 500	(2 500)	
3 Nov 11	80,30	3 Nov 16	57 500	(57 500)	
26 Oct 11	80,49	26 Oct 16	50 000	(50 000)	
1 Mar 16	138,40	1 Mar 21	19 389	(19 389)	
1 Mar 17	111,43	1 Mar 22	79 556	(25 458)	54 098
30 May 17	110,79	30 May 22	312 500		312 500
1 Mar 18	138,00	1 Mar 23	1 793 508	(672 565)	1 120 943
6 Nov 20	55,85	6 Nov 25	9 055 000		9 055 000
			11 627 628	(1 085 087)	10 542 541
Market value of shares/rights under option (Rm)			**720,7**		**996,7**

Appendix B – Liberty Holdings Limited share incentive schemes and utilisation of incentive share scheme allocation (continued)

for the year ended 31 December 2021

B3. Liberty Holdings group restricted share plan (deferred plan)

Date granted	Award price per share	Final vesting date	Shares at the beginning of the year	Shares granted during the year	Shares vested during the year	Shares cancelled during the year	Shares at the end of the year
1 Mar 18	138,00	1 Sep 21	71 954		(71 151)	(803)	
30 Nov 18	109,00	30 May 22	1 470		(977)		493
1 Mar 19	99,14	1 Sep 22	521 358		(248 966)	(20 591)	251 801
1 Apr 19	101,03	1 Oct 22	6 599		(3 299)		3 300
1 May 19	103,50	1 Nov 22	12 625		(6 311)		6 314
1 Aug 19	108,64	1 Feb 23	93 202		(31 064)		62 138
1 Sep 19	109,63	1 Mar 23	2 454		(491)		1 963
18 Sep 19	116,53	18 Mar 23	2 609			(2 609)	
1 Oct 19	112,40	1 Apr 23	4 449		(1 483)	(2 966)	
1 Mar 20	65,65	1 Sep 23	1 641 948		(517 409)	(102 542)	1 021 997
1 Sep 20	60,51	1 Mar 23	48 313				48 313
1 Mar 21	68,24	1 Sep 24		1 190 033		(81 425)	1 108 608
1 May 21	57,65	1 Nov 24		2 602			2 602
4 Aug 21	64,65	4 Feb 25		96 595			96 595
3 Sep 21	91,24	3 Mar 25		1 645			1 645
			2 406 981	1 290 875	(881 151)	(210 936)	2 605 769
Market value of shares (Rm)			**149,2**				**246,3**

Appendix B – Liberty Holdings Limited share incentive schemes and utilisation of incentive share scheme allocation (continued)

for the year ended 31 December 2021

B4. Liberty Holdings group restricted share plan (long-term plan)

Date granted	Award price per share	Final vesting date	Shares at the beginning of the year	Shares vested during the year	Shares cancelled during the year	Shares at the end of the year
1 Mar 16	126,38	1 Mar 21	1 487		(1 487)	
1 Mar 16	138,40	1 Mar 21	212 710		(212 710)	
1 May 16	125,31	1 May 21	1 751		(1 751)	
1 Aug 16	122,50	1 Aug 21	4 621		(4 621)	
1 Sep 16	112,77	1 Sep 21	7 983		(7 983)	
17 Oct 16	111,53	17 Oct 21	898		(898)	
1 Nov 16	115,95	1 Nov 21	6 741		(6 741)	
1 Mar 17	111,43	1 Mar 22	586 824	(59 886)	(237 171)	289 767
1 Mar 17	110,78	1 Mar 22	6 018	(602)	(2 406)	3 010
1 Apr 17	108,25	1 Apr 22	16 937	(1 693)	(6 774)	8 470
1 May 17	107,50	1 May 22	43 412	(4 341)	(17 364)	21 707
24 May 17	110,67	24 May 22	2 108	(211)	(1 897)	
4 Aug 17	112,30	4 Aug 22	2 180	(218)	(871)	1 091
15 Aug 17	104,30	15 Aug 22	12 784	(6 391)		6 393
1 Sep 17	103,60	1 Sep 22	11 532	(1 153)	(4 611)	5 768
1 Aug 17	113,01	1 Aug 22	10 914	(5 456)		5 458
1 Nov 17	111,04	1 Nov 22	1 501	(150)	(600)	751
1 Mar 18	138,00	1 Mar 23	1 161 327	(96 796)	(306 445)	758 086
7 May 18	130,12	7 May 23	30 741	(10 247)		20 494
3 Aug 18	118,37	3 Aug 23	8 079		(8 079)	
1 Oct 18	112,78	1 Oct 23	6 626	(552)	(1 656)	4 418
1 Nov 18	107,99	1 Nov 23	7 778		(7 778)	
			2 144 952	(187 696)	(831 843)	1 125 413
Market value of shares (Rm)			**132,9**			**106,4**

B5. Liberty Holdings performance reward plan

Date granted	Award price per share	Final vesting date	Units at the beginning of the year	Units granted during the year	Shares at the end of the year
1 Mar 19	99,14	1 Mar 24	1 462 598		1 462 598
1 Mar 21	68,24	1 Mar 26		2 612 861	2 612 861
			1 462 598	2 612 861	4 075 459
Market value of shares/rights under option (Rm)			**90,7**		**385,3**

Notes

Appendix C – Long-term policyholder liabilities and short-term insurance liabilities reconciliation

for the year ended 31 December 2021

2021 Rm	Policy-holder liabilities	Investment contracts with DPF	Policy-holder assets	Reinsur-ance assets and liabilities	Investment contracts	Deferred acquisition costs	Deferred revenue liability
Balance at beginning of year	208 904	9 334	(5 050)	(2 379)	106 954	(761)	335
Disposal groups classified as held for sale							
Profit on disposal of subsidiaries							
Inflows	68 263	2 604	10 811	(2 079)	37 343		
Insurance premiums	34 243	1 206	9 459	(2 073)			
Fund inflows					19 494		
Investment returns	33 962	1 398	1 352	(6)	17 849		
Unwinding of discount rate	3 379		(463)	(94)			
Fair value adjustment					17 629		
Property expenses					220		
Investment returns[2]	30 583	1 398	1 815	88			
Equity accounted earnings from joint ventures and associates							
Fee revenue and reinsurance commission	58						
Outflows	(47 057)	(2 804)	(11 617)	2 793	(20 440)		
Claims and policyholder benefits	(35 389)	(2 619)	(9 405)	3 209	(18 754)		
Insurance claims	(35 389)	(2 619)	(9 405)	3 209			
Fund outflows					(18 754)		
Acquisition costs	(2 028)	(62)	(1 181)	17	(629)		
Net movement in acquisition costs							
General marketing and administration expenses	(5 543)	(114)	(1 957)	19	(1 047)		
Finance costs and fair value on financial liabilities	(399)		(311)		(26)		
Profit share allocations	(1 150)		(77)				
Taxation	(2 548)	(9)	1 314	(452)	16		
Fair value on third-party mutual fund interests							
Net income from insurance operations	(213)	(20)	2 988	(1 125)	31	10	22
Changes in assumptions	102		2 359	(255)			
Service fee income					(1 435)		22
Expenses					1 482	10	
Discretionary and compulsory margins and other variances	(1 348)	(25)	1 002	(1 276)			
New business	152		759	(11)			
Shareholder taxation on transfer of net income	881	5	(1 132)	417	(16)		
Change in policyholder liabilities							
Change in policyholder liabilities – application of shadow accounting							
Foreign currency translation	47	18		(5)	59		
Balance at end of year	229 944	9 132	(2 868)	(2 795)	123 947	(751)	357

(1) *Includes owner-occupied properties – fair value adjustment (R42 million) net of related taxes (R14 million).*

(2) *Includes investment income, interest income on financial assets using the effective interest rate method, fair value adjustments to assets held at fair value through profit or loss and hotel operations sales.*

Appendix C – Long-term policyholder liabilities and short-term insurance liabilities reconciliation (continued)

for the year ended 31 December 2021

Total	Reclassi-fication[1]	Total	Long-term insurance	Short-term insurance	Total insurance	Other business	Per statement of comprehensive income
317 337		317 337					
						(14)	(14)
						(3)	(3)
		62 329					
42 835		42 835	42 835	1 529	44 364		44 364
19 494		19 494					
2 822	(2 822)						
17 629	(17 629)		(17 629)		(17 629)		(17 629)
220	(220)						
33 884	20 713	54 597	54 597	139	54 736	13 907	68 643
						11	11
58		58	58	138	196	1 933	2 129
		(62 958)					
(44 204)		(44 204)	(44 204)	(1 003)	(45 207)		(45 207)
(18 754)		(18 754)					
(3 883)	(10)	(3 893)	(3 893)	(180)	(4 073)	(146)	(4 219)
	10	10					
(8 642)		(8 642)	(8 642)	(380)	(9 022)	(3 076)	(12 098)
(736)		(736)	(736)		(736)	(225)	(961)
(1 227)		(1 227)	(1 227)	(56)	(1 283)	(91)	(1 374)
(1 679)	(14)	(1 693)	(1 693)	(8)	(1 701)	(321)	(2 022)
						(10 334)	(10 334)
1 693		1 693					
2 206							
(1 413)			1 413		1 413		1 413
1 492							
(1 647)							
900							
155							
			(22 572)		(22 572)		(22 572)
	(28)	(28)					
119		119					
356 966		356 966	(1 693)	179	(1 514)	1 641	127

Appendix C – Long-term policyholder liabilities and short-term insurance liabilities reconciliation (continued)

for the year ended 31 December 2021

2020 Rm	Policy-holder liabilities	Investment contracts with DPF	Policy-holder assets	Reinsurance assets and liabilities	Investment contracts	Deferred acquisition costs	Deferred revenue liability
Balance at beginning of year	207 104	10 224	(7 017)	(1 745)	106 918	(766)	320
Disposal groups classified as held for sale							
Profit on sale of subsidiaries							
Inflows	40 755	1 730	7 353	(1 920)	21 809		
Insurance premiums	29 310	1 131	9 044	(1 913)			
Fund inflows					16 328		
Investment returns[2]	11 444	599	(1 691)	(7)	5 481		
Unwinding of discount rate	2 997		(643)	(58)			
Fair value adjustment					5 251		
Property expenses					230		
Investment returns	8 447	599	(1 048)	51			
Equity accounted earnings from joint venture							
Fee revenue and reinsurance commission	1						
Outflows	(40 330)	(2 687)	(7 824)	1 736	(21 838)		
Claims and policyholder benefits	(30 854)	(2 504)	(5 526)	1 848	(20 261)		
Insurance claims	(30 854)	(2 504)	(5 526)	1 848			
Fund outflows					(20 261)		
Acquisition costs	(1 742)	(71)	(1 139)	16	(584)		
Net movement in acquisition costs							
General marketing and administration expenses	(4 863)	(135)	(1 870)	48	(1 009)		
Finance costs and fair value on financial liabilities	(821)		(360)		(32)		
Profit share allocations	(1 280)		(93)				
Taxation	(770)	23	1 164	(176)	48		
Fair value on third-party mutual fund interests							
Net income from insurance operations	1 398	68	2 438	(451)	121	5	15
Changes in assumptions	841		3 282	(433)			
Service fee income					(1 226)		15
Expenses					1 395	5	
Discretionary and compulsory margins and other variances	42	92	(219)	(197)			
New business	337		287	2			
Shareholder taxation on transfer of net income	178	(24)	(912)	177	(48)		
Change in policyholder liabilities							
Change in policyholder liabilities – application of shadow accounting							
Foreign currency translation	(23)	(1)		1	(56)		
Balance at end of year	208 904	9 334	(5 050)	(2 379)	106 954	(761)	335

(1) *Includes owner-occupied properties – fair value adjustment (R35 million) net of related taxes (R10 million).*

(2) *Includes investment income, interest income on financial assets using the effective interest rate method, fair value adjustments to assets held at fair value through profit or loss and hotel operations sales.*

Appendix C – Long-term policyholder liabilities and short-term insurance liabilities reconciliation (continued)

for the year ended 31 December 2021

Total	Reclassification[1]	Total	Long-term insurance	Short-term insurance	Total insurance	Other business	Per statement of comprehensive income
315 038		315 038					
						35	35
						14	14
		53 900					
37 572		37 572	37 572	1 630	39 202		39 202
16 328		16 328					
2 296	(2 296)						
5 251	(5 251)		(5 251)		(5 251)		(5 251)
230	(230)						
8 049	7 812	15 861	15 861	131	15 992	7 449	23 441
						17	17
1		1	1	146	147	2 042	2 189
		(57 297)					
(37 036)		(37 036)	(37 036)	(1 027)	(38 063)		(38 063)
(20 261)		(20 261)					
(3 520)	(5)	(3 525)	(3 525)	(174)	(3 699)	(359)	(4 058)
	5	5					
(7 829)		(7 829)	(7 829)	(425)	(8 254)	(3 010)	(11 264)
(1 213)		(1 213)	(1 213)	(2)	(1 215)	(226)	(1 441)
(1 373)		(1 373)	(1 373)		(1 373)	(99)	(1 472)
289	(10)	279	279	(61)	218	(621)	(403)
						(4 488)	(4 488)
3 594		3 594					
3 690							
(1 211)			1 211		1 211		1 211
1 400							
(282)							
626							
(629)							
			(2 291)		(2 291)		(2 291)
	(25)	(25)					
(79)		(79)					
317 337		317 337	(3 594)	218	(3 376)	754	(2 622)

Appendix D – List of companies within the Liberty Holdings Limited group

as at 31 December 2021

Parent

Direct holding company: Standard Bank Group Limited controls 100% (at 31 December 2021: 53,62% (2020: 53,62%)) of the issued ordinary shares.

Fellow subsidiaries

All subsidiaries of Standard Bank are fellow subsidiaries of Liberty Holdings Limited – a full list can be obtained from the company secretary and details are contained in the published annual report of Standard Bank Group Limited.

Subsidiaries

Directly wholly owned

Lexshell 615 Investments Proprietary Limited
Liberty Group Limited
Liberty Group Properties Proprietary Limited
Liberty Holdco Nigeria Limited
Liberty Holdings Zambia Limited
STANLIB Eswatini Proprietary Limited
Liberty Nominees Proprietary Limited
STANLIB Kenya Limited
STANLIB Limited
Stonehouse Capital Proprietary Limited
EQ-FIN Proprietary Limited
STANLIB Uganda Limited
Liberty Holdings Namibia Proprietary Limited
Liberty Health Proprietary Limited
LIBSUB2 Proprietary Limited
Total Health Trust Limited
Liberty Holdings Botswana Proprietary Limited
Mentenova Consultants and Actuaries Proprietary Limited
Liberty Life Lesotho Limited
STANLIB Property Development Proprietary Limited
STANLIB Tanzania Limited

Partially owned

These entities are subsidiaries due to effective control as Liberty Holdings Limited already has majority control or the option to acquire further shares to effect control and/or the right to manage the operations.

Liberty Kenya Holdings PLC (73,5%)
Liberty Life Assurance Uganda Limited (51%)
STANLIB Lesotho Proprietary Limited (74,9%)
Liberty General Insurance Uganda Limited (51%)
Liberty Life Swaziland Limited (75%)
Mentenova Proprietary Limited (60%)

Indirectly owned

Wholly owned through directly owned subsidiaries

Liberty Wealth Consultancy Proprietary Limited
LIBSUB1 Proprietary Limited
Frank Financial Services Proprietary Limited
Liberty Active Proprietary Limited
Liberty Securities Proprietary Limited
Liberty Growth Proprietary Limited
Liberty Linked Investment Platform Proprietary Limited
Liberty Linked Investment Platform Nominee (RF) Proprietary Limited
Sandton Hotels Proprietary Limited
Liberty Properties (Swaziland) Proprietary Limited
Liberty Properties (Zambia) Limited
STANLIB Asset Management Proprietary Limited
STANLIB Collective Investments (RF) Proprietary Limited
STANLIB Fund Managers Jersey Limited
STANLIB Infrastructure GP 1 Proprietary Limited
STANLIB Infrastructure GP 2 Proprietary Limited
STANLIB Infrastructure GP 3 Proprietary Limited
STANLIB Infrastructure GP 4 Proprietary Limited
STANLIB Credit Alternatives Diversified Credit 1 GP Proprietary Limited
STANLIB Credit Alternatives Enhances Yield 1 GP Proprietary Limited
STANLIB Multi-Manager Proprietary Limited
STANLIB Wealth Management Proprietary Limited
STANLIB Wealth Management Nominees Proprietary Limited
Liberty Life Insurance (Zambia) Limited
Liberty Propco Proprietary Limited
Liberty Life Botswana Proprietary Limited
Liberty Life Namibia Limited
STANLIB Namibia Proprietary Limited
STANLIB Namibia Unit Trust Management Company Limited
Liberty Administrators Proprietary Limited
United Funeral Insurance Limited
Dotcoza Proprietary Limited

Appendix D – List of companies within the Liberty Holdings Limited group (continued)

for the year ended 31 December 2021

Partially owned through directly owned subsidiaries (percentage effective ownership indicated)

CfC Investments Limited (73,5%)

Liberty Life Assurance Kenya Limited (73,5%)

Liberty Blue Consultancy Limitada (Mozambique) (75%)

The Heritage Insurance Company (Kenya) Limited (73,5%)

The Heritage Insurance Company (Tanzania) Limited (44,1%)

Liberty Two Degrees Limited (60,5%)

The Liberty Two Degrees Restricted Share Plan Trust (60,5%)

STANLIB REIT Fund Managers (RF) Proprietary Limited (60,5%)

2 Degrees Properties Proprietary Limited (60,5%)

Interest in mutual fund subsidiaries

%[1]	2021	2020
STANLIB Funds Limited	**51**	51
STANLIB Multi-Manager Property Fund	**63**	70
STANLIB Multi-Manager Flexible Property Fund [2]		46
STANLIB Multi-Manager Global Equity Feeder Fund	**38**	38
STANLIB Multi-Manager Shariah Balanced Fund	**81**	81
1nvest ETF Top 40 Fund	**58**	63
1nvest SWIX 40 ETF Fund	**89**	91
STANLIB Multi- Manager SA Equity Fund	**79**	80
STANLIB Institutional Money Market Fund	**54**	75
STANLIB Multi- Manager Real Return Feeder Fund	**72**	73
STANLIB Diversified Equity Fund	**100**	100
STANLIB Absolute Plus Fund	**49**	57
STANLIB Multi-Manager Bond Fund	**87**	89
STANLIB Multi-Manager Defensive Balanced Fund	**95**	96
STANLIB Multi-Manager Balanced Fund	**90**	92
1nvest Capped Property Index Tracker Fund	**98**	95
STANLIB Africa Equity Fund	**73**	66
Global Insurance Settlements Fund PLC (LTI Notes Series 1 Limited)	**83**	84
Greenstreet 1 Proprietary Limited		33
STANLIB Infrastructure Fund 2 [3]		33
STANLIB Property Income Fund [3]		29
STANLIB Global Balanced Feeder Fund	**33**	
STANLIB Core Multi-style Equity Fund	**98**	
1nvest Sector Neutral Momentum Index Tracker Fund	**98**	99
STANLIB Global Balanced Cautious Fund [2]		37
1nvest High Equity Balanced Passive Fund of Funds	**33**	36
STANLIB Global Equity Feeder Fund	**35**	33
STANLIB Multi-Manager NCIS Private Assets Qualified Investor Hedge Fund	**100**	100
STANLIB Multi-Manager Africa Private Assets Fund	**100**	100
STANLIB Multi-Manager Enhanced Yield Fund	**71**	51
STANLIB Balanced Fund	**33**	33
STANLIB Multi-Manager Absolute Income Fund	**37**	45
STANLIB Diversified Income Qualified Investor Hedge Fund	**100**	100
1nvest ALSI 40 Fund [3]		39
1nvest ALBI (Non-TR) Index Tracker Fund	**97**	87
STANLIB Multi-Manager Global Alternatives Fund	**100**	100
1nvest MSCI World Index Feeder Fund	**88**	92
1nvest Global Government Bond Index Feeder Fund [3]		39
1nvest SA Property ETF Fund	**86**	51
1nvest Inflation Linked Bond Index Tracker Fund	**50**	39
1nvest Index Fund	**95**	
STANLIB Enhanced Multi Style Equity Fund	**81**	69

[1] *Percentage or participation rights in total issued units.*

[2] *Fund closed.*

[3] *Fund reclassified to interest in mutual fund associates.*

Appendix D – List of companies within the Liberty Holdings Limited group (continued)

as at 31 December 2021

Structured entities

Blue Diamond Investments No. 3 (RF) Limited
LibFin Note Issuer 1 (RF) Proprietary Limited
Passives Funding (RF) Proprietary Limited
Vineyard Road Investments (RF) Limited

Associates

MobiLife Financial Services Proprietary Limited (24,5%)

Joint ventures

JHI Retail Proprietary Limited (49%)
Exeo Capital Proprietary Limited (Mauritius) (49%)
Exeo Capital Proprietary Limited (South Africa) (49%)
1nvest Fund Managers Proprietary Limited (50%)

Interest in mutual fund associates

STANLIB Corporate Money Market Fund
STANLIB Balanced Cautious Fund
STANLIB Global Balanced Fund
STANLIB Income Fund
STANLIB Money Market Fund
STANLIB Infrastructure Fund 1
STANLIB Bond Fund
STANLIB Global Property Feeder Fund
STANLIB Fahari Income Fund
STANLIB Extra Income Fund
STANLIB Multi-Manager Low Equity Fund of Funds
STANLIB Multi-Manager Medium Equity Fund of Funds
STANLIB Equity Fund
STANLIB Multi-Manager Diversified Fund of Funds
STANLIB Flexible Income Fund
STANLIB Enhanced Yield Fund
Agri-Vie Fund II Proprietary Limited
STANLIB Property Income Fund
1nvest ALSI 40 Fund
1nvest Global Government Bond Index Feeder Fund
1nvest S&P500 Index Feeder Fund
STANLIB Infrastructure Fund 2

Share Trust

The Liberty Holdings Group Restricted Share Trust

Appendix E – Abbreviations and definitions

ABBREVIATIONS

ALBI	All Bond Index
ALM	Asset liability matching/management
APN	Advisory Practice Note
AOS	Analysis of Surplus
BEE	Black Economic Empowerment
BESA	Bond Exchange of South Africa
BSR	Bonus stabilisation reserve
BU	Business unit
CE	Chief executive
CGT	Capital gains taxation
CGU	Cash generating unit
CRO	Chief risk officer
CSA	Collateral support agreement/credit support annexure
DAC	Deferred acquisition costs or Directors' Affairs Committee; depending on context
DPF	Discretionary participation features
DRL	Deferred revenue liability
ERM	Enterprise risk management
FCTR	Foreign Currency Translation Reserve
FSV	Financial soundness valuation
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FTSE	Financial Times and Stock Exchange
GAAC	Group audit and actuarial committee
GAC	Group actuarial committee
GAO	Guaranteed annuity option
GBSMC	Group balance sheet management committee
GCROC	Group control and risk oversight committee
GRC	Group risk committee
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISDA	International swap and derivative agreement
JSE	Johannesburg Stock Exchange
L2D	Liberty Two Degrees Limited
LCR	Liquidity coverage ratio
LGL	Liberty Group Limited
LHL	Liberty Holdings Limited
LKH	Liberty Kenya Holdings PLC
LTIP	Long Term Incentive Plan
LTI	Long Term Incentives
MNA	Master Netting Agreement
OTC	Over-the-counter
PA	Prudential Authority
PVIF	Present value of in-force policyholder contracts
REIT	Real Estate Investment Trust
SAHL	South African Home Loans Proprietary Limited
SAICA	South African Institute of Chartered Accountants
SAM	Solvency Assessment and Management
SAP	Standard of Actuarial Practice
SCR	Solvency Capital Requirement
SENS	Stock Exchange News Service

Appendix E – Abbreviations and definitions (continued)

DEFINITIONS

Advisory Practice Note (APN)	Notes issued by the Actuarial Society of South Africa to provide advice to members and guide members in their relevant area of practice.
Analysis of Surplus (AOS)	A methodology for identifying and quantifying the various sources of IFRS income of a life insurance company.
Annuity	A financial contract between an insurer and a customer under which the insurer promises to make a series of periodic benefit payments to an agreed beneficiary in exchange for the payment of a premium or series of premiums to the insurer.
Asset/liability matching	The process whereby an insurer invests in assets expected to generate inward cash flows of the same amounts and at the same times as the outward cash flows that are expected in order to meet benefit payments.
Bancassurance	An arrangement whereby banks sell life, pension and investment products to their customers on behalf of an insurer.
Board	Liberty Holdings Limited board of directors.
Bonus stabilisation reserve	The portion of the liability in respect of discretionary participation features (DPF) policies, which represents surplus earned but not yet distributed to policyholders.
Claims loss ratio	A measure of underwriting risk for short-term insurance which is measured as a ratio of claims incurred divided by premiums earned.
Cost of required capital	Measures the opportunity cost incurred by a company for holding the level of required capital.
Covered business	Business regulated by the Prudential Authority as long-term insurance business.
Deferred acquisition costs (DAC)	The direct and indirect costs incurred during the financial period arising from the writing or renewing of investment contracts without discretionary participation features (DPF) and short-term insurance contracts. These costs are deferred to the extent that they are recoverable out of future charges.
Deferred revenue liability (DRL)	Initial and other upfront fees received for the rendering of future investment management services on investment contracts without DPF, which are deferred and recognised as revenue when the related services are rendered.
Development costs	Represents project costs incurred on developing or enhancing future revenue opportunities.
Discretionary participation features (DPF)	A contractual right given to a policyholder to receive, as a supplement to guaranteed benefits, additional benefits: • that are likely to be a significant portion of the total contractual benefits, • whose amount or timing is contractually at the discretion of the issuer, and • that are contractually based on the: – performance of a specified pool of contracts or a specified type of contract, – realised and or unrealised investment returns on a specified pool of assets held by the issuer, or profit or loss of the company, fund or other entity that issues the contract.
Embedded value	The net worth of an insurer plus the value of in-force covered business less the cost of required capital.
Exco	Group executive committee.
Fair value through profit or loss (default)	Financial assets that are classified as fair value through profit or loss (default) includes those that are mandatorily measured at fair value through profit or loss, as well as those that meet the business model assessment for fair value through profit or loss under IFRS 9.
Financial Sector Conduct Authority	The market conduct regulator of South African financial institutions, including banks, insurers, retirement funds and administrators, and market infrastructures.
Financial soundness valuation (FSV)	The valuation methodology used to value insurance contracts and investment contracts with DPF as described in SAP 104 issued by the Actuarial Society of South Africa. Assets or liabilities measured on the financial soundness basis are subject to liability adequacy testing.

DEFINITIONS (continued)

Group equity value	Reflects the combined value of the various components of Liberty's businesses. It is calculated as the sum of the embedded value of South African covered business, and the valuation of other businesses in the group using a combination of recognised valuation techniques.
Guaranteed annuity option (GAO)	An option provided to the holder of a contract to convert the maturity proceeds into an annuity at a predefined minimum rate.
Guaranteed element	The portion of the policyholder's benefit on a DPF policy that is guaranteed and cannot be removed at the discretion of the insurer.
Incurred but not reported (IBNR)	Claims expected to be made by policyholders in respect of events that have already occurred at the insurer's reporting date, but which at that date have not yet been reported to the insurer.
Indexed new business	A measure of long-term insurance new business which is calculated as the sum of twelve months premiums on new recurring premium policies and one tenth of new single premium sales.
In-force	An insurance policy is in-force from its start date until the date it is derecognised. In-force business refers to policies which are active, i.e. where the benefits are still payable or potentially payable to the policyholder at some future date.
Institutional long-term insurance	Risk and retirement savings products under the umbrella of group schemes marketed to employers who provide those benefits to their employees.
Insurance contract	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Investment contract	A contract, which contains significant financial risk and may also contain insignificant insurance risk, but does not meet the definition of an insurance contract.
Investment guarantee	An undertaking to give a minimum investment return for a period up to an agreed future date or dates provided within a contract of insurance or investment.
Investment-linked policy	A policy where benefits are dependent on the investment return on a portfolio of assets.
Liberty	Liberty Holdings Limited and its subsidiaries.
Negative rand reserves	Negative liabilities (within long-term policyholder liabilities) and policyholder assets arising when the discounted value of expected future inflows exceeds the discounted value of expected future outflows.
New business margin	The value of new business expressed as a percentage of the present value of future modelled premiums at the point of sale.

Appendix E – Abbreviations and definitions (continued)

DEFINITIONS (continued)

Normalised: headline earnings per share	This measurement reflects the economic reality of the consolidation of the listed REIT Liberty Two Degrees Limited (L2D) and the Black Economic Empowerment (BEE) transaction, as opposed to the required technical accounting treatment. **Reversal of accounting mismatch arising on 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: • the investment property assets of L2D are included in the group annual financial statements at fair value; whereas • the corresponding obligations to Liberty Group Limited's policyholder assets are required under IFRS to continue to be measured in the group annual financial statements at the listed price of the L2D shares/units. The result of this accounting mismatch is that any increase in the premium at which L2D's listed shares/units trade relative to the underlying net asset value will result in a reported loss in the group annual financial statements. Conversely, any decrease in the premium (or change from a premium to a discount) will result in a reported profit in the group annual financial statements. **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.
Outstanding claims	Valid claims from policyholders which have been reported to the insurance company but have not yet been paid.
Pandemic	The COVID-19 virus pandemic.
Persistency	Persistency measures the proportion of policies that are not surrendered, transferred or lapsed. It is an important measure of an insurer's retention of its business.
Policyholder assets	Measured assets on in-force contracts with policyholders.
Policyholder liabilities	Measured liabilities on in-force contracts with policyholders.
Reinsurance	Insurance or investment risk that is ceded to another insurer (reinsurer) in return for premiums. The obligation to the policyholder remains with the entity which issued the original insurance contract.
Prudential Authority	The body, operating within the administration of the South African Reserve Bank, responsible for regulating financial institutions such as banks, insurers and collective investment schemes in South Africa.
Retail long-term insurance	Products aimed at individuals that provide wealth creation, particularly through retirement savings, and wealth protection through health, life and disability insurance.
Reversionary bonus policy	A policy with DPF where the benefit at a point in time is defined as the sum assured plus past bonus additions, to which variable annual bonuses are added. A final terminal bonus may also be added.
Standard Bank	Standard Bank Group Limited and its subsidiaries (excluding Liberty).
Standards of Actuarial Practice (SAP)	Standards to which all members of the Actuarial Society of South Africa must adhere.
Surrender value	The surrender value of a policy is the cash value, if any, which is payable in respect of that policy upon cancellation before the end of the policy's term.
Value of in-force covered business	The present value of the projected stream of after tax profits for all business in-force at the reporting date. The present value is calculated using a risk adjusted discount rate.

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Licenses in terms of the Insurance Act, 2017

Liberty Holdings Limited is a licensed controlling company of an insurance group.
Liberty Group Limited is an insurer licensed to conduct life insurance business inside the Republic of South Africa (certificate number IN0093).

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Notes

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