

## LBH: LBH - Liberty Holdings Limited - Financial Results For The Year Ended 31

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Liberty Holdings Limited  
Incorporated in the Republic of South Africa  
(Registration number: 1968/002095/06)

JSE code: LBH

ISIN code: ZAE000127148

Financial results

Liberty Holdings Limited

For the year ended 31 December 2009

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Financial performance indicators  
for the year ended 31 December 2009

	2009	2008
Liberty Holdings Limited		
Earnings		
Basic earnings per share (cents)	16,4	709,3
BEE normalised headline earnings per share (cents)	47,2	740,8
Embedded value		
BEE normalised embedded value per share (R)	84,32	95,12
BEE normalised return on embedded value (%)	(6,5)	n/a
Distributions per share (cents)	455	312
Interim capital reduction	164	
Final capital reduction	291	291
Extraordinary dividend		21(2)
Capital adequacy cover of Liberty Group Limited (times covered)	2,81	2,66
Long-term insurance operations (3)		
Indexed new business (excluding contractual increases) (Rm)	4 412	4 782
New business margin (%)	1,3	2,6
Net cash inflows/(outflows) (Rm)	1 267	(2 861)
Asset management		
Assets under management (Rbn)	363	337
Net cash outflows before money market (Rm)	(8 676)	(6 689)
Net cash inflows including money market (Rm)	2 755	13 374
Health services		
Lives under administration ('000)	460	267
		Normalised(1)
	% change	2008
Liberty Holdings Limited		
Earnings		
Basic earnings per share (cents)	(97,7)	586,8
BEE normalised headline earnings per share (cents)	(93,6)	574,6
Embedded value		
BEE normalised embedded value per share (R)	(11,4)	n/a
BEE normalised return on embedded value (%)	n/a	3,7

Distributions per share (cents)	45,8	455
Interim capital reduction		164
Final capital reduction		291
Extraordinary dividend		
Capital adequacy cover of Liberty Group Limited (times covered)	5,6	
Long-term insurance operations (3)		
Indexed new business (excluding contractual increases) (Rm)	(7,7)	
New business margin (%)		
Net cash inflows/(outflows) (Rm)	>100	
Asset management		
Assets under management (Rbn)	7,7	
Net cash outflows before money market (Rm)	(29,7)	
Net cash inflows including money market (Rm)	(79,4)	
Health services		
Lives under administration ('000)	72,3	

(1) Normalised for the Liberty Group Limited section 311 transaction effective 1 December 2008 in order to provide relevant comparisons.

(2) Restated to adjust for the 3:1 share split in 2008 as if it occurred at the beginning of 2008.

(3) Includes insurance business written under all of the group's life licences. n/a: not applicable.

#### Definitions

BEE normalised headline earnings per share, embedded value per share and return on embedded value

These measures reflect the economic reality of the Black Economic Empowerment (BEE) transaction as opposed to the required technical accounting treatment that reflects the BEE transaction as a share buy-back. Dividends received on the group's BEE preference shares (which are recognised as an asset for this purpose) are included in income. Shares in issue relating to the transaction are reinstated.

#### Capital adequacy requirement (CAR)

Capital adequacy is the minimum amount by which the Financial Services Board requires an insurer's assets to exceed its liabilities. The assets, liabilities and capital adequacy requirement must be calculated using a method which meets the Financial Services Board's requirements. Capital adequacy cover refers to the amount of capital the insurer has as a multiple of the minimum requirement.

#### Long-term insurance operations - Indexed new business

This is a measure of new business in insurance operations which is calculated as the sum of twelve months of recurring premium policies and one tenth of single premium sales.

#### Long-term insurance operations - New business margin

This is the embedded value of new business in insurance operations expressed as a percentage of the present value of future expected premiums.

#### Commentary on results

##### Operational and strategic update

The effects of the 2008 global financial markets crisis continued into the early parts of 2009. Despite synchronised efforts by major governments to ward off the effects of risk aversion, mass de-leveraging occurred and placed significant liquidity pressure on the markets in early 2009.

Subsequent to the first quarter, markets started to respond to the combined state remedial measures and cautious optimism led to some recovery in most major world equity markets for the remainder of 2009.

Although South Africa returned to positive real GDP growth in the third quarter of 2009, consumers' disposable incomes remain under pressure.

Group BEE normalised headline earnings for the 2009 year ended at R135 million compared to the reported first half loss of R1 207 million.

The year can be characterised by the cost of de-risking the balance sheet in the first half and the impact of a significant decline in policyholder persistency. The group however returned to profitability in the second half of the year, mainly due to persistency not deteriorating and improved financial markets.

##### De-risking the group's balance sheet

Given the extreme volatility in the investment markets in 2008 and the early part of 2009, management focused on risk reduction to protect policyholders' funds. This resulted in a once off equity loss of R519 million in the first half of the year, as markets recovered from their lows in the first quarter. This action met the group's objective of protecting capital, and as a result of this strategy, Liberty Group Limited's CAR cover remained robust at 2,81 times

the statutory requirement at 31 December 2009 (2008: 2,66 times).

#### Policyholder persistency

The SA Retail insurance business, as indicated in the group's half year results, has experienced declining policyholder persistency. The total impact on the group's earnings of the related negative experience variances combined with the strengthening of actuarial assumptions was R930 million after tax for 2009.

Various operational initiatives implemented in the second half of the year are starting to produce positive results. As such, no further significant adjustments to lapse assumptions were required in the 31 December 2009 liability valuations. Nonetheless, modelling was improved for some blocks of business.

Management continue to invest in actions to limit the loss of in-force policies and prepare the business to take advantage of the next economic upturn.

#### Strategic review

In the second half, a strategic review of the business was conducted and consequently the business has been restructured to improve end-to-end ownership and accountability of the SA Retail insurance business. Effective December 2009, the group was restructured into SA Retail (including Individual Life and STANLIB Retail), Asset Management and Institutional (including Properties, STANLIB Institutional and Corporate) and new Business Development clusters.

#### Growth and diversification

Progress continued in terms of diversifying the business, with the group's product and service offerings now extending into eight African countries outside of South Africa.

Liberty Health and Liberty Africa continue to make progress in implementing their strategies. However, from an earnings perspective they continue to be impacted by initial development costs and regulatory delays in targeted business acquisitions. In total they reflected a R36 million loss for the year. Subsequent to year end regulatory approval has been received which will enable the group to complete phase two of the group restructure, enabling the transfer of existing non long-term insurance legal entities from Liberty Group Limited to Liberty Holdings Limited. This will allow for optimisation of the group's capital structure.

The new group structure combined with the adoption and implementation of world class enterprise-wide value and risk management is a solid foundation upon which to continue implementing the group's long term strategy of diversifying the business in terms of product, services and geography.

#### Financial performance

##### Overview

The group reported BEE normalised headline earnings of R135 million (2008: R1 175 million) for the year ended 31 December 2009. The year's performance can best be explained in two halves. The group reported a first half year BEE normalised headline loss of R1 207 million which included three significant and unrelated loss events, namely the estimated R519 million impact of actions to reduce equity market risk, the required strengthening of policyholder withdrawal, paid up and lapse assumptions of R685 million and an unrealised loss estimated at R531 million due to the rand's strength at 30 June 2009. In the second half, local equity markets recovered, demonstrated by the SWIX index increasing by 25%, interest rates ended the year at similar levels to 30 June while the rand strengthened further by 4,7% against the US\$ to 31 December 2009. In the second half the group took some downside protection against the rand and continued to run other open market positions at similar levels to 30 June 2009. The impact of the investment markets combined with limited additional policyholder persistency assumption changes resulted in the group achieving a second half BEE normalised headline earnings of R1 342 million. The group's BEE normalised headline earnings per share for the year was 47,2 cents (compared to 2008 Liberty Group Limited's published 574,6 cents). The prevailing recessionary environment impacted the ability of the insurance operations to attract investment flows and total indexed new business at R4 412 million was 7,7% lower than 2008. Retail risk product sales held up relatively well, increasing by 8% on an indexed basis.

The net cash flows of the group's asset management operations benefited from strong money market and dividend income fund flows. Several institutional mandates were lost, including the anticipated Public Investment Corporation (PIC) amount of R8,3 billion. Excluding the PIC withdrawal, group asset management net cash inflows totalled R11,1 billion (2008: R13,4 billion).

Earnings from the group's South African asset management operations (STANLIB, Liberty Properties and Fountainhead) are 3,7% lower than last year reflecting the lower average values of assets under management and reduced fee income.

Cost discipline ensured that cost to income ratios remained competitive and partially offset the lower fees. Liberty Properties benefited from development fees related to the R801 million extensions to the group's flagship Eastgate and Sandton City property complexes, and a third party development in Zambia. Capital adequacy of the group's main life licence, Liberty Group Limited, continued to benefit from the group's market risk mitigation strategies and remained strong at 2,81 times the required cover (2008: 2,66 times). The group's BEE normalised return on embedded value per share for the year is negative 6,5% (2008: 3,7% for Liberty Group Limited) and the BEE normalised embedded value per share has decreased by 11,4% to R84,32 from the R95,12 reported at 31 December 2008.

Contributions to earnings by business unit

	2009	2008	% change
	Rm	Rm	
SA Retail	171	1 255	(86,4)
Corporate	(7)	152	(>100)
LibFin (investment and asset/liability matching)	(248)	(67)	(>100)
Asset management (STANLIB, Properties and Fountainhead)	442	459	(3,7)
Business development initiatives (Liberty Africa and Liberty Health)	(36)	(1)	(>100)
Central overheads and sundry income	(190)	(277)	31,4
Secondary taxation on companies	(88)	(63)	(39,7)
Attributed to minority shareholders in Liberty Group Limited(1)		(346)	>100
Preference share dividend	(2)	(2)	-
Headline earnings	42	1 110	(96,2)
Adjustment for Liberty Group Limited minority shareholders (1)		346	(>100)
BEE preference share adjustment	93	117	(20,5)
BEE normalised headline earnings	135	1 573 (2)	(91,4)

(1) Until 1 December 2008, Liberty Holdings Limited owned approximately 51% of Liberty Group Limited.

(2) Relevant base to compare 2009 earnings.

South African long-term insurance  
Retail

Indexed new business (excluding contractual increases) decreased by 4% to R3 995 million (2008: R4 154 million). Whilst good growth was recorded in risk and entry level products, individual investment product sales were down 15%, reflecting the pressure on consumer disposable incomes. The new business embedded value profit margin of 1,5% (31 December 2008: 3,0%) has decreased, mainly due to lower volumes, the impact of strengthened withdrawal, paid up and lapse assumptions and the 185 bps increase in the risk discount rate. The group's entry level products, whilst encouraging from a sales growth perspective produced negative margins. Remedial action is being taken which should lead to a higher overall margin in 2010.

Net cash flows were positive R2,8 billion for the period (2008: R0,4 billion), with lower claim values contributing to a 13,6% lower overall claim outflow. Premium income flows at R23,4 billion were marginally lower by 3,7% compared to 2008.

The increasingly difficult consumer conditions combined with the impacts of new commission regulations on investment products from 1 January 2009, led to an increased churn in risk products. Negative persistency experience variances were recorded across most products in the first half of the year and resulted in the strengthening of related assumptions at 30 June 2009. This resulted in a net R685 million earnings strain in the six months to 30 June 2009. Second half experience remained broadly in line with first half trends, although encouragingly some improvements were observed in the key flagship risk products as a result of the various remedial actions implemented. In the second half an additional persistency strain of R245 million was incurred mainly relating to more accurate modelling of partial surrenders on investment products. No further significant assumption changes were required at 31 December 2009. Risk claim experience remains positive. Effective cost control meant that no significant changes to cost assumptions were required.

Mainly as a consequence of the persistency strain, the earnings for the year are disappointing at R171 million compared to R1 255 million in 2008.

Corporate

Corporate, which represents 8,7% of total insurance indexed new business (excluding contractual increases), experienced a 33% decrease in indexed new

business compared to 2008.

Net cash outflows for the year were R1 764 million (2008: R3 319 million) and were impacted by further scheme terminations and member withdrawals, particularly those associated with the small business segment which has experienced higher levels of liquidations in the current depressed economic climate.

A number of administered retirement funds are in the process of deregistration or liquidation. A project has been instituted to accelerate the process of winding up these funds and a provision of R125 million has been raised, representing the expected cost of the project less related fee recoveries. Corporate earnings, excluding the retirement fund administration project, are lower at R118 million (2008: R152 million) mainly due to lower asset management fees.

Investment markets

In the early part of March 2009 the SWIX declined by 17,6% from opening January levels reflecting the ongoing nervousness following the financial crisis that emerged in 2008. As advised in the half year results this triggered stop loss levels and the group's equity exposure was reduced, which resulted in a one off R519 million loss. Subsequently equity markets have improved and the SWIX rose 25% in the six months to 31 December 2009. The group maintained a local equity exposure over the second six months of between R2 billion and R3 billion and therefore second half earnings benefited by approximately R460 million.

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The bond market in the early part of the year was characterised by increasing yields off the low levels evidenced in the latter part of 2008. However, since 30 June 2009 the long term bond rates have traded in a relatively narrow band with the reference BEASSA curve bond (used as the base for determining risk discount rates in insurance liability valuations) yielding 9,30% at 31 December 2009 compared to 9,25% at 30 June 2009 and 7,50% at 31 December 2008.

The group has maintained the levels of interest rate protection implemented at the end of 2008. Basis risk, being the difference between the reference curves used to value policyholder liabilities and the instruments available to practically apply hedging, continues to provide some volatility in earnings. This risk has been reduced with various annuity and guaranteed product liabilities being valued off the same reference curve as the backing assets in the 2009 year end valuations. The impact to 2009 earnings as a result of this change was insignificant.

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The currency market was relatively stable until early April when a combination of renewed foreign investment inflows and general weakness in major currencies resulted in a significant strengthening of the rand to 30 June 2009, ending at R7,73 to the US\$. This represented a 17,0% increase over the six months resulting in an estimated R531 million loss in the group's first half earnings. Subsequently the rand has continued to strengthen and ended the year at R7,37 to the US\$. The group took some downside protection in the latter part of 2009 and the impact of exchange rates on earnings in the second half was not material.

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Asset management (STANLIB, Liberty Properties and Fountainhead)

STANLIB contributed R362 million (2008: R395 million) to group headline earnings. Operating profit before investment income, finance costs and taxation was R470 million which is 10,3% lower than the R524 million achieved in 2008. This was as a consequence of the 8,3% decline in net service fees earned off the lower average value of assets under management and lower performance management fees. Average assets under management were impacted by lower opening values arising from the 2008 market declines and the loss of several institutional mandates.

STANLIB net cash outflows for the period were R1,6 billion (2008: R5,1 billion inflows), including the loss of R8,3 billion of PIC funds. Money market attracted strong net inflows of R10,8 billion (2008: R19,2 billion). The recovery in local equity markets, particularly in the second half of the year, combined with the strong money market and dividend income product flows resulted in total assets under management (including intergroup life funds) increasing to R318 billion at 31 December 2009 compared to the R290 billion reported at 30 June 2009.

Liberty Properties, which earns development and management fees from managing the group's property portfolio, performed well. Development fees combined with satisfactory management fees resulted in earnings after taxation increasing by 24% to R72 million. Liberty Properties are currently managing extensions to the flagship Eastgate and Sandton City complexes as well as the development of a

third party owned shopping complex in Lusaka, Zambia.

Business Development initiatives

Liberty Health

Liberty Health is making steady progress in its build initiatives and recently was granted the administration agreement of Spectramed with effect from 1 January 2010, adding 110 000 administration lives. Sales of health risk products in the rest of Africa is progressing satisfactorily. The group acquired a 35,3% interest in Total Health Trust Limited, a leading health management organisation in Nigeria, for R31 million. Both Liberty Africa and Liberty Health will benefit from this entry into the Nigerian market. With effect from 1 November 2009 Liberty acquired a further 24,8% ownership in Liberty Health Holdings from minority shareholders for R10 million, bringing the group's total ownership in Liberty Health to 74,9%.

The health operations reflected a R111 million loss (R75 million loss excluding amortisation and derecognition of intangible assets) for the year of which the group's share is R65 million. Capacity building combined with delays in targeted administrative mandates have contributed to the loss. Lives under administration total 460 000 (2008: 267 000).

Liberty Africa

Liberty Africa's asset management operations continue to enjoy positive net cash inflows of R4 327 million for the year (2008: R8 259 million). Earnings from insurance operations improved resulting in a group earnings contribution of R29 million against a loss of R1 million in 2008.

The process of finalising the business unit's targeted acquisition transactions during 2009 has proved to be more time consuming than expected. However, the recently announced acquisition of the insurance and asset management businesses of Cfc Insurance Holdings from Standard Bank is anticipated to be completed in the first half of 2010. The group, with effect from 31 January 2010 acquired a 75% interest in United Funeral Insurance Limited (UFI) in Namibia for an effective R68 million. UFI are life insurers and provide burial insurance to the Namibian Government Employees' Pension Fund.

Group embedded value

The group's BEE normalised embedded value per share at year-end is R84,32, compared to R95,12 at 31 December 2008. Embedded value has been affected by the 185 bps increase in the risk discount rate, the low earnings for the year, the capital reductions of R1 301 million paid in lieu of 2008 final and 2009 interim dividends, a reduction in STANLIB's entity valuation and the consequences of strengthened persistency assumptions. The return on BEE normalised embedded value was negative 6,5% compared to the published Liberty Group Limited's 31 December 2008 positive return of 3,7%.

Capital adequacy cover

The capital adequacy cover of the group's main life licence, Liberty Group Limited, has increased marginally from 2,66 at 31 December 2008 to 2,81 at 31 December 2009. After taking into account the final shareholder distribution and the expected strategic spend, the CAR cover is still well above Liberty Group Limited's historic target of 1,7 times.

The CAR cover of the group's other life licences remains within coverage targets.

Capital reduction out of share premium in lieu of a final dividend

2009 was an extraordinary year, well below normal expectations. However, the capital base has been strengthened, the balance sheet has been significantly derisked and necessary corrective actions have been taken on persistency. In this context, the board has decided that an appropriate balance is achieved by declaring an unchanged cash distribution. Therefore, in terms of the general authority granted to the directors at the 2009 annual general meeting, the directors have approved a capital reduction out of share premium of 291 cents per ordinary share in lieu of a final dividend.

The important dates pertaining to the capital reduction of 291 cents per ordinary share are as follows:

Last date to trade cum capital distribution on the

JSE

Thursday, 18 March 2010

First trading day ex capital distribution on the JSE

Friday, 19 March 2010

Record date

Friday, 26 March 2010

Payment date

Monday, 29 March 2010

Share certificates may not be dematerialised or rematerialised between Friday, 19 March 2010 and Friday, 26 March 2010, both days inclusive. Where applicable, the capital reduction payment in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, capital reduction cheques will be posted to shareholders. Shareholders who have dematerialised their shares will have their

accounts with their CSDP or broker credited on Monday, 29 March 2010.

#### Prospects

The economic outlook for 2010 is positive as the global economy emerges from recession, however, there is still some uncertainty about economic stability in certain developed economies.

Our key domestic focus areas for 2010 will be to grow our core insurance business by improving policyholder persistency and new business margins. We believe that this, together with the impact of corrective actions taken at STANLIB, growth in Liberty Africa, the development of Liberty Health and the positive economic climate positions the group favourably for the future.

Bruce Hemphill  
Chief Executive

Saki Macozoma  
Chairman

25 February 2010

Liberty Holdings Limited

Incorporated in the Republic of South Africa

(Registration number: 1968/002095/06)

JSE code: LBH

ISIN code: ZAE0000127148

Transfer Secretaries

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Sponsor

Merrill Lynch

A subsidiary of Bank of America Corporation

These results are available at [www.liberty.co.za](http://www.liberty.co.za)

Accounting policies

The results have been prepared in accordance with International Financial Reporting Standards (IFRS) including full compliance with IAS 34 Interim Financial Reporting. They are also in compliance with the Listings Requirements of the JSE Limited and the Companies Act of South Africa.

The following sets out the changes to the accounting policies from those applied in the year ended 31 December 2008:

The group adopted IFRS 7: Financial Instruments: Disclosures (amendment) which is effective prospectively for annual periods beginning on or after 1 January 2009. The amendment enhances fair value measurement disclosures and clarifies the scope of items to be included in the maturity analyses for liquidity risk disclosures. The change in accounting policy only results in additional disclosures, and does not impact the results, financial position or cash flows of the group.

There were various amendments to IFRS standards as part of the IASB's annual improvements project, which are effective for periods beginning on or after 1 January 2009. The only amendment which is applicable to the group is that investment property under development for future use now falls within the scope of IAS 40 Investment Property, and no longer IAS 16 Property, Plant and Equipment. Consequently the measurement of investment property under development changes from cost to fair value at the measurement date. This amendment has prospective application and has had no significant impact on the group in the year under review.

Several other amendments to standards or interpretations were also effective for the year under review, but are either not applicable to the group's operations or the group has already complied with the changes.

Audit opinion

The auditors, PricewaterhouseCoopers Inc., have issued their opinion on the group's financial statements and embedded value report for the year ended 31 December 2009. They have issued unmodified audit opinions. Copies of their audit reports are available for inspection at the company's registered office. Statement of financial position as at 31 December 2009

	2009	2008
Audited	Rm	Rm
Assets		
Equipment and owner-occupied properties under development	1 176	946
Owner-occupied properties	1 345	1 282
Investment properties	19 058	16 771
Intangible assets	1 210	1 444
Defined benefit pension fund employer surplus	170	144

Deferred acquisition costs	337	344
Interests in joint ventures	575	505
Reinsurance assets	788	827
Operating leases - accrued income	1 156	1 067
Pledged assets	1 559	1 622
Interests in associates - mutual funds	4 979	4 726
Financial instruments	173 603	170 968
Deferred taxation	152	131
Prepayments, insurance and other receivables	2 655	5 884
Cash and cash equivalents	10 637	5 112
Total assets	219 400	211 773
Liabilities		
Policyholder liabilities	183 544	172 069
Insurance contracts	129 254	122 091
Investment contracts with discretionary participation features	2 692	2 648
Financial liabilities under investment contracts	51 598	47 330
Financial liabilities at amortised cost	2 211	2 430
Third party financial liabilities arising on consolidation of mutual funds	10 557	10 481
Employee benefits	660	642
Deferred revenue	126	114
Deferred taxation	2 755	2 897
Provisions	204	64
Operating leases - accrued expense	185	215
Derivative financial liabilities	58	77
Insurance and other payables	5 604	8 210
Current taxation	561	748
Total liabilities	206 465	197 947
Equity		
Ordinary shareholders' interests	10 515	11 633
Share capital	26	26
Share premium	7 965	9 276
Retained surplus	3 304	3 166
Other reserves	(780)	(835)
Minority interests	2 420	2 193
Total equity	12 935	13 826
Total equity and liabilities	219 400	211 773

Statement of comprehensive income  
for the year ended 31 December 2009

	2009	2008
Audited	Rm	Rm
Revenue		
Insurance premiums	22 630	22 986
Reinsurance premiums	(632)	(727)
Net insurance premiums	21 998	22 259
Service fee income from policyholder investment contracts	823	799
Investment income	12 255	13 552
Hotel operations sales	620	714
Investment gains/(losses)	7 125	(15 476)
Fee revenue	1 404	1 144
Defined benefit pension fund employer surplus	13	
Total revenue	44 238	22 992
Claims and policyholders' benefits under insurance contracts	(20 488)	(23 596)
Insurance claims recovered from re-insurers	603	535
Change in policyholder liabilities	(7 246)	10 173
Insurance contracts	(7 163)	9 461
Investment contracts with discretionary participation features	(44)	705
Applicable to re-insurers	(39)	7
Fair value adjustment to policyholder liabilities under investment contracts	(5 949)	1 025
Fair value adjustment on third party mutual fund interests	(835)	(134)
Acquisition costs	(3 114)	(2 822)
General marketing and administration expenses	(5 434)	(5 151)
Finance costs	(343)	(356)
Preference dividend in subsidiary	(366)	(308)

Equity accounted earnings from joint ventures	47	40
Profit before taxation	1 113	2 398
Taxation	(877)	(607)
Total earnings	236	1 791
Other comprehensive loss	(11)	(20)
Owner-occupied properties - fair value adjustment	25	26
Foreign currency translation	(27)	(40)
Income and capital gains tax relating to owner occupied properties		
- fair value adjustment	(9)	(6)
Total comprehensive income	225	1 771
Total earnings attributable to:		
Ordinary shareholders' interests	44	1 112
Minority interest	192	679
	236	1 791
Total comprehensive income attributable to:		
Ordinary shareholders' interests	37	1 072
Minority interest	188	699
	225	1 771
	Cents	Cents
Basic earnings per share	16,4	709,3
Fully diluted basic earnings per share	15,9	683,3
Capital reduction in lieu of dividends/dividends per ordinary share	455,0	259,3(1)

(1) Adjusted for 2008 3:1 share split.

Headline earnings and earnings per share for the year ended 31 December 2009

	2009	2008
Audited	Rm	Rm
Reconciliation of total earnings to headline earnings attributable to equity holders		
Total earnings attributable to equity holders	44	1 112
Adjustments		
Preference share dividend	(2)	(2)
Basic and headline earnings attributable to ordinary shareholders (1)	42	1 110
Net income earned on BEE preference shares	93	65
BEE normalised headline earnings attributable to ordinary equity holders	135	1 175
Weighted average number of shares in issue (`000)	260 222	156 530
BEE normalised weighted average number of shares in issue (`000)	286 018	158 644
	Cents	Cents
Earnings per share attributable to ordinary equity holders		
Basic	16,4	709,3
Headline	16,4	709,3
BEE normalised headline	47,2	740,8
Fully diluted		
Basic	15,9	683,3
Headline	15,9	683,3

(1) Liberty applies the long-term insurance industry exemption contained in circular 3/2009 which allows for no headline earnings adjustment in respect of realised or unrealised remeasurements of investment properties.

Condensed statement of changes in shareholders' funds for the year ended 31 December 2009

	2009	2008
Audited	Rm	Rm
Balance of ordinary shareholders' funds at 1 January	11 633	5 288
Increase in ownership of Liberty Health Holdings	(9)	
Capital reduction	(1 301)	
Section 311 Liberty transaction costs	1	(10)
Total comprehensive income	37	1 072
Share buy-back	(34)	
Subscription for shares	23	8 395
Black Economic Empowerment transaction	101	57
Share-based payments	68	31
Payment on settlement of share options	(2)	
Ordinary dividends		(372)

Preference dividend	(2)	(2)
Excess purchase price over NAV of Liberty Group Limited		(3 145)
Treasury shares		324
Change in effective ownership		(5)
Ordinary shareholders' funds	10 515	11 633
Balance on minority interests at 1 January	2 193	7 203
Increase in ownership of Liberty Health Holdings	(1)	
Total comprehensive income	188	699
Unincorporated property partnerships	42	(90)
Minority share of subsidiary dividend	(2)	(230)
Black Economic Empowerment transaction		56
Share-based payments		30
Sale of Nelson Mandela Square		(230)
Issue of shares in subsidiary		50
Capital reduction in subsidiary		(368)
Change in effective ownership		5
Treasury shares		318
Liberty Group Limited minorities acquired by ordinary shareholders		(5 250)
Minority interests	2 420	2 193
Total shareholders' funds	12 935	13 826
Condensed statement of cash flows for the year ended 31 December 2009		

	2009	2008
Audited	Rm	Rm
Operating activities	5 006	1 907
Investing activities	562	(1 702)
Financing activities	(43)	203
Net increase in cash and cash equivalents	5 525	408
Cash and cash equivalents at the beginning of the year	5 112	4 688
Cash and cash equivalents acquired through business acquisition		16
Cash and cash equivalents at the end of the year	10 637	5 112
Condensed segment information		

The audited segment results for the year ended 31 December 2009 are as follows:

Rm	Long-term insurance		Asset management	Health services
	Individual	Corporate		
Total revenue	36 443	11 243	1 663	332
Profit/(loss) before taxation	186	(35)	636	(161)
Taxation	(594)	2	(185)	51
Total (loss)/profit	(408)	(33)	451	(110)
Other comprehensive (loss)/income	11	2	(6)	(2)
Total comprehensive (loss)/income	(397)	(31)	445	(112)
Attributable to:				
Minorities	(3)		(7)	46
Equity holders	(400)	(31)	438	(66)
Reconciliation of total (loss)/earnings to headline (loss)/earnings attributable to equity holders				
Total (loss)/earnings	(408)	(33)	451	(110)
Attributable (to)/from minorities	(4)		(10)	46
Preference dividend				
Headline (loss)/earnings	(412)	(33)	441	(64)
Net income earned on BEE preference shares				
BEE normalised headline (loss)/earnings	(412)	(33)	441	(64)
			Reporting adjust-	IFRS reported
Rm	Other	Total	ments(1)	
Total revenue	819	50 500	(6 262)	44 238
Profit/(loss) before taxation	243	869	244	1 113
Taxation	(131)	(857)	(20)	(877)
Total (loss)/profit	112	12	224	236
Other comprehensive				

(loss)/income	(16)	(11)		(11)
Total comprehensive				
(loss)/income	96	1	224	225
Attributable to:				
Minorities		36	(224)	(188)
Equity holders	96	37		37
Reconciliation of total				
(loss)/earnings to headline				
(loss)/earnings attributable				
to equity holders				
Total (loss)/earnings	112	12	224	236
Attributable (to)/from				
minorities		32	(224)	(192)
Preference dividend	(2)	(2)		(2)
Headline (loss)/earnings	110	42		42
Net income earned on				
BEE preference shares	93	93		93
BEE normalised				
headline (loss)/earnings	203	135		135

(1) Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, providing additional deferred taxation on investment property revaluations, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, and the elimination of inter-group transactions. The effect of the classification of long-term investment products as IFRS defined 'investment' contracts in the reporting adjustments column is to recognise premiums on investment contracts as revenue in the long-term insurance segment. Audited for the year ended 31 December 2008

	Long-term insurance		Asset	Health
Rm	Individual	Corporate	manage-	services
			ment	
Total revenue	22 304	5 928	1 699	57
Profit before taxation	1 143	217	649	(65)
Taxation	(399)	(61)	(198)	46
Total earnings	744	156	451	(19)
Other comprehensive income	(24)	2		
Total comprehensive income	720	158	451	(19)
Attributable to:				
Minorities	(187)	(38)	(114)	19
Equity holders	533	120	337	-
Reconciliation of total				
earnings to headline				
earnings attributable				
to equity holders				
Total earnings	744	156	451	(19)
Attributable (to)/from				
minorities	(178)	(37)	(114)	19
Preference dividend				
Headline earnings	566	119	337	-
			Reporting	
			adjust-	IFRS
Rm	Other	Total	ments(1)	reported
Total revenue	625	30 613	(7 621)	22 992
Profit before taxation	88	2 032	366	2 398
Taxation	30	(582)	(25)	(607)
Total earnings	118	1 450	341	1 791
Other comprehensive				
income	2	(20)		(20)
Total comprehensive				
income	120	1 430	341	1 771
Attributable to:				
Minorities	(38)	(358)	(341)	(699)
Equity holders	82	1 072	-	1 072
Reconciliation of total				
earnings to headline				
earnings attributable				
to equity holders				
Total earnings	118	1 450	341	1 791
Attributable (to)/from				
minorities	(28)	(338)	(341)	(679)

Preference dividend	(2)	(2)		(2)
Headline earnings	88	1 110	-	1 110

(1) Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, providing additional deferred taxation on investment property revaluations, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, and the elimination of inter-group transactions. The effect of the classification of long-term investment products as IFRS defined 'investment' contracts in the reporting adjustments column is to recognise premiums on investment contracts as revenue in the long-term insurance segment.

Group embedded value report

#### 1. Introduction

The embedded value is a determination of the economic value of a life insurance company before making allowance for any value which may be attributed to future new business. The embedded value and value of new business have been prepared in accordance with Professional Guidance Note 107 (PGN 107), the guidance note on embedded values and value of new business issued by the Actuarial Society of South Africa.

#### 2. Group structure

The structure of the group changed with effect from 1 December 2008. Prior to that date Liberty Holdings Limited housed Standard Bank Group Limited's controlling interest in Liberty Group Limited. Both Liberty Holdings Limited and Liberty Group Limited were listed on the Johannesburg Stock Exchange (JSE). The restructure resulted in Liberty Group Limited becoming a wholly owned subsidiary of Liberty Holdings Limited.

#### 3. Description of embedded value

The current version of PGN 107 came into force for all financial year ends on or after 31 December 2008. PGN 107 governs the way in which embedded values are reported.

The embedded value consists of:

The free surplus attributed to the covered business;

Plus the required capital identified to support the in-force covered business;

Plus the present value of future shareholder cash flows from in-force covered business(PVIF);

Less the cost of required capital.

The PVIF is the discounted value of the projected stream of after tax shareholder profits arising from existing in-force covered business. These shareholder profits arise from the release of margins under the statutory basis of valuing liabilities. This value is reduced by the present value of after tax future shareholder recurring and non-recurring expenses. Covered business is defined as business regulated by the FSB as long-term insurance business. This business comprises life assurance policies, investment policies (smooth bonus, reversionary bonus, market-related and linked), annuities and group pensions business.

For reversionary and smoothed bonus business, the value of in-force covered business has been calculated assuming that bonuses are changed over time so that the full amount of the bonus stabilisation reserves are distributed to policyholders over the lifetime of the in-force policies.

The required capital is defined as the level of capital that is restricted from distribution to shareholders. This comprises the statutory CAR calculated in accordance with PGN 104 plus any additional capital considered appropriate by the board given the risks in the business. For Liberty Group Limited, required capital is calculated as 1,7 x CAR. The cost of required capital is the present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.

The value of new business written over the period is the present value at the point of sale of the projected stream of after tax profits from that business, reduced by the cost of required capital. New business is defined as covered business arising from the sale of new policies and once off premium increases in respect of in-force covered business during the period. Only policies where at least one premium has been received are included. This definition is consistent with that used in the financial statements.

The value of new business has been calculated on the closing assumptions.

Investment yields at the point of sale have been used for new fixed annuities and Guaranteed Capital Bonds; for all other business the investment yields at the end of the period have been used.

No adjustment has been made for the discounting of tax provisions in the embedded value.

#### 4. Liberty Holdings Limited

##### 4.1 Embedded value and embedded value per share

	31 December 2009	
	Embedded value	BEE normalised embedded value
Audited	Rm	Rm
Risk discount rate (e)	12,1%	12,1%
Net worth	10 412	11 571
Ordinary shareholders' funds on published basis	10 513	11 672
Adjustment of ordinary shareholders' funds from published basis(a)	(3 021)	(3 021)
Financial service subsidiaries fair value adjustment(b)	3 703	3 703
Adjustment for carrying value of in-force business acquired(c)	(555)	(555)
Allowance for fair value of share options/rights	(228)	(228)
Net value of life business in-force	12 547	12 547
Value of life business in-force	13 957	13 957
Cost of required capital	(1 410)	(1 410)
Embedded value	22 959	24 118
Number of applicable shares (`000)	260 226	286 022
Embedded value per ordinary share (R)	88,23	84,32

	31 December 2008	
	Embedded value	BEE normalised embedded value
Audited	Rm	Rm
Risk discount rate (e)	10,25%	10,25%
Net worth	11 860	13 019
Ordinary shareholders' funds on published basis	11 633	12 792
Adjustment of ordinary shareholders' funds from published basis(a)	(3 012)	(3 012)
Financial service subsidiaries fair value adjustment(b)	4 107	4 107
Adjustment for carrying value of in-force business acquired(c)	(683)	(683)
Allowance for fair value of share options/rights	(185)	(185)
Net value of life business in-force	14 188	14 188
Value of life business in-force	14 640	14 640
Cost of required capital	(452)	(452)
Embedded value	26 048	27 207
Number of applicable shares (`000)	260 226	286 022
Embedded value per ordinary share (R)	100,10	95,12

##### 4.2 Embedded value and value of new business

Value of new business and new business margins

	31 December	
	2009	2008
Audited	Rm	Rm
Gross value of new business	323	763
Cost of required capital	(22)	(39)
Net value of new business written in the period	301	724
Individual	288	701
Corporate	13	23
Present value of future expected premiums	23 082	28 180
New business margin	1,3%	2,6%

The value of new business is the value at the point of sale derived from the new business premium income net of contractual increases. The new business margin is the value of new business (less the cost of required capital) as a percentage of the present value of future expected premiums.

##### 4.3 Embedded value (loss)/profit

The embedded value (loss)/profit is equal to the change in the embedded value over the period increased by any dividends paid, capital reductions or share buy-backs made during the period and decreased by any capital raised during the period. The embedded value (loss)/profit provides a measure of the group's financial value added over the period.

Embedded value  
Liberty Liberty

	Holdings Limited 31 Dec 2009	Group Limited 31 Dec 2008
Audited	Rm	Rm
Embedded value at the end of the period	22 959	25 889
Less capital raised	(23)	
Plus impact of share buy-backs	34	
Less share options/rights exercised		(18)
Plus net capital reduction paid	1 200	694
Plus dividends paid		412
Less embedded value at the beginning of the year	(26 048)	(26 091)
Embedded value (loss)/profit	(1 878)	886
Annualised return on embedded value	(7,2%)	3,4%
	BEE normalised	
	Liberty Holdings Limited 31 Dec 2009	Liberty Group Limited 31 Dec 2008
Audited	Rm	Rm
Embedded value at the end of the period	24 118	27 048
Less capital raised	(23)	
Plus impact of share buy-backs	34	
Less share options/rights exercised		(18)
Plus net capital reduction paid	1 301	754
Plus dividends paid		466
Less embedded value at the beginning of the year	(27 207)	(27 250)
Embedded value (loss)/profit	(1 777)	1 000
Annualised return on embedded value	(6,5%)	3,7%
4.4 Analysis of embedded value loss		
An analysis of the components of the embedded value loss for the year ended 31 December 2009 is summarised below.		
	Net worth	Value of in-force covered business
Audited	Rm	Rm
Embedded value loss for the period		
Embedded value at the end of the period	10 412	13 957
Less capital raised	(23)	
Plus impact of share buy-backs	34	
Plus net capital reduction paid	1 200	
Embedded value at the beginning of the period	(11 860)	(14 640)
Embedded value loss	(237)	(683)
Components of embedded value loss		
Value of new business written in the period	(1 062)	1 385
Expected return on value of life business(g)		1 465
Expected net of tax profit transfer to net worth	1 849	(1 888)
Operating experience variances(j)	81	(307)
Operating assumption changes(k)	(612)	(1 308)
Embedded value loss from operations	256	(653)
Investment return on net worth	217	
Investment variances	(280)	104
Changes in economic assumptions(l)	(257)	(196)
Changes in modelling methodology	(130)	62
Change in allowance for fair value of share options/rights(m)	(43)	
Total embedded value loss	(237)	(683)
	Cost of required capital	Embedded value
Audited	Rm	Rm
Embedded value loss for the period		
Embedded value at the end of the period	(1 410)	22 959
Less capital raised		(23)
Plus impact of share buy-backs		34
Plus net capital reduction paid		1 200
Embedded value at the beginning of the period	452	(26 048)
Embedded value loss	(958)	(1 878)

Components of embedded value loss		
Value of new business written in the period	(22)	301
Expected return on value of life business(g)	(47)	1 418
Expected net of tax profit transfer to net worth	39	
Operating experience variances(j)	19	(207)
Operating assumption changes(k)		(1 920)
Embedded value loss from operations	(11)	(408)
Investment return on net worth		217
Investment variances	19	(157)
Changes in economic assumptions(l)	(966)	(1 419)
Changes in modelling methodology		(68)
Change in allowance for fair value of share options/rights(m)		(43)
Total embedded value loss	(958)	(1 878)

#### 4. Liberty Holdings Limited (continued)

##### 4.5 Bases, assumptions and additional information

a) The amounts of R3 021 million and R3 012 million, reflected as the adjustment of shareholders' funds from the published basis, represent the change in these assets as a result of moving from a published valuation basis to the statutory valuation method. This is largely due to the elimination of certain negative rand reserves on the statutory valuation basis. The reduction in net worth results in a corresponding increase in the value of in-force.

b) The value of financial service subsidiaries is calculated for embedded value purposes at a multiple of net after-tax earnings. The increase from the published value is shown as the "financial service subsidiaries fair value adjustment".

This adjustment consists of the following:

	2009	2008
	Rm	Rm
STANLIB Limited	3 091	3 603
Liberty Group Properties (Proprietary) Limited	532	504
Liberty Health Holdings (Proprietary) Limited	80	
	3 703	4 107

For STANLIB Limited a multiple of 10 is consistently used, less the embedded value of its life business which has been included in the value of life business in-force. For Liberty Group Properties (Proprietary) Limited a multiple of 10 is consistently used. For Liberty Health Holdings (Proprietary) Limited the adjustment represents the increase in value supported by the valuation utilised for the recent additional acquisition of the 24,8% of Liberty Health Holdings (Proprietary) Limited, bringing the total ownership to 74,9%.

c) The carrying value of business acquired (analysed below) has been deducted from shareholders' funds in order to avoid double counting. For embedded value purposes the value in respect of this is included in the net value of life business in-force.

	2009	2008
	Rm	Rm
Investec Employee Benefits	(36)	(58)
Capital Alliance Holdings Limited (CAHL)	(491)	(590)
Business previously acquired by CAHL	(28)	(35)
	(555)	(683)

d) Future investment returns on the major asset classes were set with reference to the market yield on medium-term South African government stock. The investment returns used are:

	Investment return p.a. (%)	
	2009	2008
Government stock	9,30	7,50
Equities	12,80	11,00
Property	10,30	8,50
Cash	7,80	6,00

e) The risk discount rate has been set equal to the risk free rate plus 80% of the equity risk premium

12,10	10,25
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f) Maintenance expense inflation rate

6,30	4,50
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g) The expected return on the value of life business is obtained by applying the previous year's discount rate to the value of life business in-force at the beginning of the year and the current year's discount rate for half a year to the value of new business.

h) Taxation has been allowed for at rates and on bases applicable to section 29A of the Income Tax Act. Full taxation relief on expenses to the extent permitted was assumed. Capital gains taxation has been taken into account in the embedded value. Allowance has been made for future secondary taxation on companies at 10%.

No allowance has been made for the likely replacement of STC with a withholding tax on shareholders.

i) Other bases, bonus rates and assumptions:

Parameters reflect best estimates of future experience, consistent with the valuation bases used by the statutory actuaries, excluding any compulsory or discretionary margins. However, in contrast to the assumptions in the valuation bases, the embedded value does make allowance for automatic premium and benefit increases.

j) Operating experience variances consist of the combined effect on net worth and value of in-force of operating experience proving different from that anticipated at the prior year end.

The net 2009 operating experience variance of negative R207 million is mainly made up of three principal components being a positive variance of R427 million in respect of mortality experience, offset by a negative variance of R474 million arising mainly from lapses, paid up and surrenders and a negative R297 million of non-recurring expenses.

Long-term assumptions have been strengthened in line with experience investigations.

k) Operating assumption changes of R1 920 million comprise:

	Rm
Shareholder expenses	(321)
Withdrawal, paid up and lapses	(1 811)
Other	212
	(1 920)

l) The amount of R1 419 million relates to changes in economic assumptions, as described in notes (d), (e) and (f).

m) The amount of R43 million in respect of the change in the fair value of share options/rights arises from the change in the number of shares under option/share rights and the decrease in the market value of Liberty Holdings Limited share price over the reporting period.

n) The assets backing the required capital are consistent with that approved by the Liberty Holdings Board in November 2009 for the long-term strategic asset mix of shareholder funds.

New business

for the year ended 31 December 2009

	2009	2008
	Rm	Rm
Unaudited		
Insurance operations (1)		
Individual	13 700	14 911
Single	10 748	11 891

Recurring	2 952	3 020
Corporate	1 467	1 984
Single	1 202	1 567
Recurring	265	417
Total new business	15 167	16 895
Single	11 950	13 458
Recurring	3 217	3 437
Indexed new business	4 412	4 782

Sources of insurance operations indexed new business by business unit:

SA Retail	3 995	4 154
Corporate	385	573
Liberty Africa	32	55
Asset management operations		
Total STANLIB sales excluding money market (2)	37 712	42 880
Retail sales excluding money market	32 952	37 551
Institutional sales excluding money market	4 760	5 329
Money market	113 446	95 266
Total STANLIB sales	151 158	138 146
Total Liberty Africa sales excluding money market (2)	10 643	14 695
Retail sales excluding money market	574	2 954
Institutional sales excluding money market	10 069	11 741
Money market	5 866	4 809
Total Liberty Africa sales (3)	16 509	19 504
Total asset management sales	167 667	157 650

(1) Includes Liberty Africa.

(2) Excludes intercompany life fund sales.

(3) Liberty group owns less than 100% of the various entities that make up Liberty Africa. Sales information is recorded at 100% and is not adjusted for proportional legal ownership.

Net cash inflows

for the year ended 31 December 2009

	2009	2008
	Rm	Rm
Unaudited		
Insurance operations (1)		
Individual	3 031	458
Inflows and premiums	23 291	24 387
Claims and benefits	(20 260)	(23 929)
Corporate	(1 764)	(3 319)
Inflows and premiums	6 784	6 959
Claims and benefits	(8 548)	(10 278)
Net cash inflows/(outflows) from insurance operations	1 267	(2 861)
Sources of insurance operations cash flows by business unit:		
SA Retail	2 764	407
Corporate	(1 776)	(3 319)
STANLIB Multi-manager	202	1
Liberty Africa	77	50
Asset management		
STANLIB before money market	(12 344)	(14 157)
Retail net cash inflows/(outflows)	6 178	(3 830)
Institutional net cash outflows	(18 522)	(10 327)
Money market inflows	10 772	19 272
Net STANLIB cash (outflows)/inflows	(1 572)	5 115
Liberty Africa before money market	3 668	7 468
Retail net cash inflows	306	2 046
Institutional net cash inflows	3 362	5 422
Money market inflows	659	791
Net Liberty Africa inflows (2)	4 327	8 259
Net cash inflows from asset management	2 755	13 374
Total net cash inflows	4 022	10 513

(1) Includes Liberty Africa.

(2) Liberty group owns less than 100% of the various entities that make up Liberty Africa. The cash flow information is recorded at 100% and is not adjusted for proportional legal ownership.

Assets under management

for the year ended 31 December 2009

	2009	2008
	Rbn	Rbn
Unaudited		
Life funds	126	111

Segregated funds	54	62
Unit trusts (including money market)	120	109
Linked investment and structured products	41	36
Properties	22	19
Total assets under management(1)	363	337
Total assets under management split by business unit:		
STANLIB	318	299
Liberty Africa	23	19
Liberty Properties	22	19
	363	337

(1) Includes funds under administration.  
Analysis of ordinary shareholders' funds invested  
for the year ended 31 December 2009

	Group funds invested	
	2009	2008
Unaudited	Rm	Rm
Ordinary shareholders' interests		
Analysis of shareholders' interests:		
South African insurance operations	555	681
Insurance operating surplus		
Present value of in-force business	555	681
Liberty Active preference dividend		
Working capital charge(1)		
Asset management operations	762	576
Liberty Properties	118	46
STANLIB	454	343
Fountainhead	190	187
Business development initiatives	548	321
Liberty Africa	163	87
Liberty Health	385	234
Shareholder investment returns	8 650	10 055
Financing of South African insurance operations	(695)	(314)
Fixed assets and working capital (1)	1 305	1 686
Callable capital bonds	(2 000)	(2 000)
Investment portfolios	9 345	10 369
Listed equities	686	1 992
Foreign exchange hedges	76	(58)
Interest bearing deposit instruments	6 197	4 831
Preference shares	1 450	1 323
Mutual funds	429	1 788
Share of pooled portfolios	216	285
Unlisted investments	291	208
Related taxation		
Net investment losses		
Shareholder expenses and sundry income		
Administration expenses - shareholder allocation		
Sundry - other operations		
Secondary tax on companies		
Related taxation		
Preference share dividend		
Treasury shares adjustment		
Attributed to minority shareholders in Liberty Group		
Headline earnings		
Preference share dividend		
Liberty Holdings shareholders' funds/total earnings	10 515	11 633
	Contribution to earnings	
	2009	2008
Unaudited	Rm	Rm
Ordinary shareholders' interests		
Analysis of shareholders' interests:		
South African insurance operations	(482)	885
Insurance operating surplus	200	1 511
Present value of in-force business	(126)	(118)
Liberty Active preference dividend	(366)	(308)

Working capital charge(1)	(190)	(200)
Asset management operations	442	459
Liberty Properties	72	58
STANLIB	362	395
Fountainhead	8	6
Business development initiatives	(36)	(1)
Liberty Africa	29	(1)
Liberty Health	(65)	
Shareholder investment returns	499	382
Financing of South African insurance operations	11	21
Fixed assets and working capital (1)	190	200
Callable capital bonds	(179)	(179)
Investment portfolios	682	752
Listed equities	82	92
Foreign exchange hedges		
Interest bearing deposit instruments	394	433
Preference shares	122	108
Mutual funds	11	38
Share of pooled portfolios	58	76
Unlisted investments	15	5
Related taxation	(103)	(121)
Net investment losses	(91)	(270)
Shareholder expenses and sundry income	(379)	(269)
Administration expenses - shareholder allocation	(319)	(296)
Sundry - other operations	(28)	16
Secondary tax on companies	(88)	(63)
Related taxation	56	74
Preference share dividend	(2)	(2)
Treasury shares adjustment		2
Attributed to minority shareholders in Liberty Group		(346)
Headline earnings	42	1 110
Preference share dividend	2	2
Liberty Holdings shareholders' funds/total earnings	44	1 112
	Capital investment	
	(losses)/gains	
	2009	2008
Unaudited	Rm	Rm
Ordinary shareholders' interests		
Analysis of shareholders' interests:		
South African insurance operations		
Insurance operating surplus		
Present value of in-force business		
Liberty Active preference dividend		
Working capital charge(1)		
Asset management operations		
Liberty Properties		
STANLIB		
Fountainhead		
Business development initiatives		
Liberty Africa		
Liberty Health		
Shareholder investment returns		
Financing of South African insurance operations		
Fixed assets and working capital (1)		
Callable capital bonds		
Investment portfolios	(92)	(373)
Listed equities	216	(540)
Foreign exchange hedges	(52)	(93)
Interest bearing deposit instruments	(316)	113
Preference shares	(33)	(18)
Mutual funds	39	101
Share of pooled portfolios	30	(89)
Unlisted investments	24	153
Related taxation	1	103
Net investment losses	91	270

Shareholder expenses and sundry income  
Administration expenses - shareholder allocation  
Sundry - other operations  
Secondary tax on companies  
Related taxation  
Preference share dividend  
Treasury shares adjustment  
Attributed to minority shareholders in Liberty Group  
Headline earnings  
Preference share dividend  
Liberty Holdings shareholders' funds/total earnings

(1) With effect from 1 July 2005 Liberty Group Limited established a working capital funding loan between insurance operations and shareholder assets, subsequently supported by the callable capital bonds issue. Inter-divisional interest is charged at 8,77% nacm which is equivalent to the callable capital bond's interest rate.

Capital commitments  
as at 31 December 2009

	2009	2008
Audited	Rm	Rm
Capital commitments	3 141	3 843
Business acquisitions (1)	360	194
Equipment	296	391
Investment and owner-occupied property	2 485	3 258
Under contracts	1 385	1 767
Authorised by the directors but not contracted	1 756	2 076
	3 141	3 843

The above 2009 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds, R403 million (2008: R429 million) from minorities in unincorporated property partnerships, and R7 million (2008: R13,5 million) from minorities in Liberty Health Holdings (Pty) Limited.

(1) The board has approved an allocated amount towards possible business acquisitions related to its stated strategy of broadening the group's financial services offerings.

Related parties  
as at 31 December 2009

The following selected significant related party transactions have occurred in the 2009 financial year:

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

	Number `000	Market value Rm	Ownership %
Standard Bank Group Limited			
Balance at 31 December 2008	30 911	2 566	2,03
Purchases	12 229	934	
Sales	(17 416)	(1 539)	
Fair value adjustments		663	
Balance at 31 December 2009	25 724	2 624	1,65

2) Acquisition of Cfc Insurance Holdings Limited

As announced on SENS on 3 December 2009, Liberty has entered into agreements subject to completion of outstanding conditions precedent in terms of which it will acquire control of Cfc Insurance Holdings Limited (CfCIH), currently effectively a subsidiary of Standard Bank Group Limited. CfCIH is a leading Kenyan wealth company that comprises life, general and health insurance businesses in Kenya and Tanzania. The group will acquire approximately 57% ownership through subscribing for KES880 million of new equity capital and an initial payment of USD14 million with deferred payments capped at an additional USD4,9 million. At 31 December 2009 exchange rates, the rand equivalent of these transactions is R225 million. The CfCIH acquisition is a related party transaction, as Standard Bank Group Limited is both a majority shareholder of Liberty with a holding of 53,65% and the ultimate controlling shareholder of CfCIH.

3) Bancassurance

Liberty has entered into profit share agreements (renegotiated on 25 April 2002 for a period until 31 December 2010) with Standard Bank of South Africa Limited

for the sale and promotion of insurance products. New business premium income in respect of this business in 2009 amounted to R4 812 million (2008: R5 091 million). In terms of the agreement Liberty Active Limited pays 90% of profits on simple products and 50% of profits on complex products through a preference share dividend to Standard Bank of South Africa Limited. The preference dividend accrued for 2009 is R366 million (2008: R308 million).

Retirement benefit obligations  
as at 31 December 2009

Post-retirement medical benefit

The group operates an unfunded post-retirement medical aid benefit for employees who joined the group prior to 1998.

As at 31 December 2009, the Liberty post-retirement medical aid benefit liability was R354 million (31 December 2008: R344 million).

Defined benefit retirement funds

The group operates a number of defined benefit pension schemes on behalf of employees. All these funds are closed to new membership and are well funded with no deficits reported.

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