

LBH: LBH - Liberty Holdings Limited - Financial Results For the six months ended 30

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June 2011

Liberty Holdings Limited

Incorporated in the Republic of South Africa

(Registration number: 1968/002095/06)

JSE code: LBH

ISIN code: ZAE0000127148

Telephone +27 11 408 3911

Liberty Holdings Limited

Financial Results For the six months ended 30 June 2011

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for the six months ended 30 June 2011

30 June 2011      30 June 2010

Liberty Holdings Limited

Earnings

Basic earnings per share (cents)      440,2      371,9

BEE normalised headline earnings per share (cents)      412,4      351,9

BEE normalised return on equity (%)      18,1      17,1

Group equity value

BEE normalised group equity value per share (R)      93,79      84,62

BEE normalised return on group equity value (%)      13,0      7,8

Distributions per share (cents)      182      164

Interim capital reduction      182      164

Final dividend      n/a      n/a

Total assets under management (Rbn)      449      411

Long-term insurance operations

Indexed new business (excluding contractual increases) (Rm)      2 289      2 135

New business margin (%)      1,3      1,1

Net customer cash inflows/(outflows) (Rm)      1 118      (265)

Capital adequacy cover of Liberty Group Limited

(times covered)      2,88      2,79

Asset management - STANLIB and Liberty Africa

Assets under management (Rbn)      386      350

Net cash (outflows)/inflows including money market (Rm)      (42)      11 733

Health (000 lives)

Under administration      515      561

Licensed on proprietary information technology platforms      1 081      1 101

Insured      59      26

% change      31 Dec 2010

Liberty Holdings Limited

Earnings

Basic earnings per share (cents)      18,4      918,6

BEE normalised headline earnings per share (cents)      17,2      907,6

BEE normalised return on equity (%)      5,8      21,2

Group equity value

BEE normalised group equity value per share (R)      10,8      91,01

BEE normalised return on group equity value (%)      66,7      13,4

Distributions per share (cents)      11,0      455

Interim capital reduction      11,0      164

Final dividend           291

Total assets under management (Rbn)      9,2      442

Long-term insurance operations

Indexed new business (excluding contractual increases) (Rm)      7,2      4 327

New business margin (%)      18,2      1,2

Net customer cash inflows/(outflows) (Rm)      >100      (287)

Capital adequacy cover of Liberty Group Limited (times covered)	3,2	2,67
Asset management - STANLIB and Liberty Africa		
Assets under management (Rbn)	10,3	384
Net cash (outflows)/inflows including money market (Rm)	(>100)	22 179
Health (`000 lives)		
Under administration	(8,2)	528
Licensed on proprietary information technology platforms	(1,8)	1 085
Insured	>100	33

n/a: not applicable

#### Commentary on results

The first six months of 2011 have clearly demonstrated that our key operational strategies implemented over the past two years are achieving their objectives and incrementally generating value. This is particularly evident in the core South African insurance and asset management operations, which have reported improved operational results for the period. In addition, the positive results being produced by our balance sheet management capability further validates the strategic investment in LibFin.

Our focus in the core South African insurance operations is to manage the business within acceptable sustainable long-term assumption sets, whilst profitably capturing greater shares of both the existing and developing markets. The ability of the business to manage within board approved risk appetite limits continues to be enhanced and tightly monitored. Actions to improve asset management capability leveraging off the strong property, fixed income and money market franchises have commenced, with the objective being to capture a larger share of the retail and institutional fund flows. We remain committed to diversifying our earnings stream through achieving the business cases of the recent investments in growth operations.

A raft of legislative developments including the proposed new long-term insurance solvency regime (Solvency Assessment and Management) and the ongoing South African government social benefits policy review are presenting significant challenges to the industry as a whole. We are prioritising efforts to influence, understand and, where applicable, comply with these developments. We are confident of adapting Liberty's business model to maximise opportunities that may arise.

#### Update on strategy

##### Retail SA

The improvement in policyholder retention has been sustained and remains ahead of targets. Significant developments in the products and distribution area have occurred. For example, we launched a revised set of risk products with enhanced and innovative benefit design. The Financial Intermediaries Association recently recognised our risk product "Lifestyle Protector" as the best product in the long-term insurance risk product category. In addition, the implementation of a new value proposition for financial advisers recognises the important balance between persistency, book size and quality of new business. Further initiatives in sales and distribution are planned including remedial actions to improve acquisition overhead cost efficiency. We believe that these actions will lead to improved quality sales and achieve the critical objectives of improving the quantum of the value of new business and new business margin.

LibFin, in the delivery of its risk mandates in balance sheet management, continues to improve hedge effectiveness through additional data analytics and the use of suitable hedge instruments. Our ability to manage these risks within acceptable limits has become a core competency. Attention is now increasingly being placed by LibFin on the support of investment product design to the insurance business and the establishment of investment portfolios that can enhance yield through taking advantage of suitable assets that provide illiquidity premiums.

##### Institutional cluster (STANLIB, Liberty Properties and Corporate)

We have made substantial progress at STANLIB in embedding the operating model of the multi-specialist franchise system. The majority of previously underperforming funds under management are now reflecting improved investment performance and there have been positive net cash flows into our non-money market products. Our Balanced Fund performance moved to the top quartile for the one and two year rolling period to June 2011. STANLIB will continue to embed investment processes and disciplines to ensure short-term improvements are sustained over the longer term.

Liberty Properties continues to return excellent investment performance on the policyholder property portfolio, as evidenced by 27 consecutive years of double digit returns. Our property development capability has been extended with the successful execution of externally owned property development mandates in Zambia and Swaziland. This is in addition to delivery of extensive developments at our flagship Eastgate and Sandton City shopping centre complexes.

Liberty Corporate continues to improve cost efficiencies and product development. We are in the process of developing the future strategy for this segment of the market in light of the anticipated significant changes arising from consumer needs, tax regulations and the South African government's implementation of their widely debated retirement reform policies.

##### Growth cluster (Liberty Africa, Liberty Health, Frank.net and Bancassurance)

Liberty Africa's geographical reach and size has increased substantially with the completion, effective 1 April 2011, of the purchase of a 57% interest in Cfc Insurance Holdings Limited (CfC) for R199 million. CfC, which is listed on the

Nairobi Stock Exchange, is a leading Kenyan life, health and general insurance group servicing policyholders in East Africa and provides us with significant growth opportunities in the region.

Progress has been made in addressing Liberty Health's operational challenges and pleasing growth in sales of our flagship medical expense risk products has been achieved.

After commencing business in November 2010 Frank.net, which currently provides simple life cover products through an alternative direct distribution channel, is tracking against business plan.

Liberty has profited significantly from the commercial bancassurance joint venture relationship with Standard Bank and the recently agreed revised terms broaden the available distribution channels, product sets and geographies. Plans are well advanced to implement joint strategies that will optimise the growth opportunity to the benefit of both joint venture parties. The governance forums and agreements around the joint venture are overseen by both management and independent directors of Liberty.

#### Financial overview

Strong operational earnings from our core operations, namely Retail SA and STANLIB, have resulted in the group's BEE normalised headline earnings 2011 first half performance of R1 180 million being 17,2% up on the 2010 comparative period.

Retail SA's recent excellent improvement in policyholder persistency has continued at levels similar to the second half of 2010 resulting in positive persistency variances. If this trend is sustained to the financial year-end positive revisions may be made to the long-term persistency assumptions. South African insurance indexed new business sales have improved by 7,1% over 2010 despite significantly lower entry level market (ELM) sales as a consequence of the remedial action taken last year. Increases in our flagship investment products and the credit life sales under the bancassurance agreement with Standard Bank are particularly pleasing. Overall group insurance new business margin has improved from 1,2% to 1,3% and is still influenced by the conservative persistency assumptions and relatively low new business contract volumes which has affected acquisition overhead cost efficiency. Improving margin through increased volume of quality sales and better cost efficiency is our top priority. Various initiatives have either been implemented or are in the process of finalisation which we expect will deliver continued progress in this area.

Continued concerns over sovereign debt in Europe and the United States, together with robust South African economic policy debate, have influenced local investment markets resulting in high uncertainty and low equity and bond returns for the period. Returns on the shareholder investment portfolio (constructed as a low risk balanced portfolio), whilst lower in quantum relative to a through the cycle long-term expectation, were pleasing in that they are ahead of the benchmark. The asset/liability positions were managed within mandated risk limits and capital ratios have improved and remain strong.

The group's net cash flows into our insurance operations and asset managers remain positive at R1,1 billion supported by the strong contributions from our Retail SA and Liberty Africa operations.

Following a sustained period of inflows, STANLIB, as expected due to the increasing risk appetite of investors, experienced some net outflows from its money market funds. Total assets under group management are R427 billion, up from R419 billion at 31 December 2010.

BEE normalised headline earnings per ordinary share is 412,4 cents (2010: 351,9 cents) and an interim capital reduction of 182 cents (2010: 164 cents) per ordinary share has been declared.

Contributions to earnings by business unit

	30 June 2011 Rm	30 June 2010 Rm
South African long-term insurance		
Retail SA	650	472
Corporate	47	65
LibFin	345	358
Asset management		
STANLIB	190	164
Liberty Properties	44	43
Business development		
Liberty Africa	16	2
Liberty Health	(10)	(11)
Frank.net	(18)	(14)
Central overheads and sundry income	(118)	(111)
Headline earnings	1 146	968
BEE preference share adjustment	34	39
BEE normalised headline earnings	1 180	1 007
		31 Dec 2010
	% change	Rm
South African long-term insurance		
Retail SA	37,7	899
Corporate	(27,7)	103
LibFin	(3,6)	1 443

Asset management		
STANLIB	15,9	361
Liberty Properties	2,3	96
Business development		
Liberty Africa	>100	10
Liberty Health	9,1	(43)
Frank.net	(28,6)	(44)
Central overheads and sundry income	(6,3)	(303)
Headline earnings	18,4	2 522
BEE preference share adjustment	(12,8)	75
BEE normalised headline earnings	17,2	2 597
South African long-term insurance		
Retail SA		

Headline earnings for the half year were R650 million, up 38% compared to 2010 reflecting our considerable efforts in improving persistency, net positive impacts of assumption changes (R112 million) and improved mortality claims experience. The assumption changes include inter alia the positive impact of an improved estimate of the illiquidity premium used in liability valuations offset by strengthening mortality assumptions on certain annuity books.

Indexed new business (excluding contractual increases) has increased by 6,4% to R1 976 million (2010: R1 857 million). Excluding ELM sales, indexed new business increased by 11,0%. We are encouraged by the growth in retirement savings products, credit life and guaranteed capital bonds. Our May 2011 launch of the new series of risk products with innovative benefit design has been well received by the market and should assist in an improved performance in the second half of the year. The new business margin increased to 1,5% from the 1,3% achieved for the full 2010 year.

Net cash flows were positive at R1 408 million for the period (2010: R418 million). The main contributors are an increase in single premiums of 15,7% and a relatively low increase of 1,2% in claims and withdrawals.

One of our key focus areas is to improve cost efficiency, particularly in acquiring new business. The entire cost base is under review with the intention of realigning available resources to better support our strategies. Policy service costs remain well within actuarial assumptions.

#### Corporate

Corporate earnings at R47 million are lower compared to 2010 (R65 million). A 6,9% increase in indexed new business was achieved, including a high mix of small to medium schemes.

A combination of winding up retirement funds under the backlog project and sustained consumer pressure has continued to impact withdrawal levels on corporate funds. This resulted in net cash outflows for the period of R323 million, however these are improved from the equivalent 2010 net outflow of R742 million.

#### LibFin

Over the period under review, our low risk shareholder investment portfolio returned 2,7% pre taxation reflecting the low investment return environment. However, the return was ahead of benchmark and demonstrated our ability to manage within prescribed risk limits.

LibFin Markets continued to manage market risk exposures within a narrow range. Headline earnings of R70 million flowed mainly from improving credit margins on assets backing annuities and guaranteed capital bonds. Due to the complexities of valuation and policyholder behaviour combined with limitations of available hedging instruments, it is unlikely that LibFin Markets will achieve fully hedged positions. However, the progress made to date has considerably reduced the exposure to volatility. We continue to seek acceptable illiquidity premium assets using the advantage of our ability to hold longer term assets, with the key objectives of steadily increasing net earnings and improving the competitiveness of our policyholder investment product proposition.

In line with the capacity created by LibFin, several portfolios backing policyholder annuity and guaranteed capital investment products have been moved from STANLIB fund management to LibFin. LibFin now directly manages R15 billion of asset portfolios at 30 June 2011.

#### Asset management (STANLIB and Liberty Properties)

STANLIB's increased headline earnings of R190 million (2010: R164 million) reflect higher average assets under management and improved performance fees. STANLIB's net cash outflows (excluding intergroup flows) for the period were R1,1 billion (2010: net inflow R6,5 billion). As anticipated the gradual increase in appetite for higher risk assets led to a net outflow in money market funds of R2,9 billion. Positive flows totalling R1,8 billion were evidenced across the other portfolios. Resulting total assets under management (including intergroup life funds) were maintained at R355 billion (31 December 2010: R355 billion).

Liberty Properties' earnings after taxation increased to R44 million, driven mostly by higher property development fees. Liberty Properties is currently managing extensions to the Sandton City complex, as well as the development of third party properties in Zambia and Swaziland.

#### Business development initiatives

##### Liberty Health

Liberty Health has in past reporting periods experienced loss of customer contracts within the information technology serviced lives. However, the rate of loss has slowed and cost management has improved. Sales of health risk products

in the rest of Africa continue to grow, increasing our in-force book to 59 000 lives (December 2010: 33 000). We continue to focus on improving margins through reduced costs and improved pricing for risk.

#### Liberty Africa

Our acquisition of a 57% ownership in Cfc was completed and is effective 1 April 2011. Cfc's estimated operational results are satisfactory, with growth in earnings and new business. After adjusting for amortisation of acquisition intangibles, Cfc's contribution to the group's headline earnings for the three months since acquisition is R6 million.

Liberty Africa's asset management operations continued to attract positive net cash inflows of R1,1 billion for the period (2010: R5,3 billion) bringing assets under management to R30,7 billion. Attributable headline earnings of R16 million are substantially up on 2010, reflecting the Cfc contribution as well as a pleasing improvement in overall cost control and asset management fees.

Group equity value (previously named Group Embedded Value)

The BEE normalised group equity value per share at 30 June 2011 is R93,79 compared to R91,01 at 31 December 2010. Positive operating variances, removal of the STC allowance following tax legislation announcements and improvements in the core operations more than offset the final dividend of R832 million paid in April 2011.

#### Capital adequacy cover

The capital adequacy cover of Liberty Group Limited is strong at 2,88 times the statutory requirement (31 December 2010: 2,67 times). All the other group subsidiary life licences are well capitalised.

#### Dividend policy

The directors reviewed the group's existing dividend policy and considered it to no longer be appropriate. Henceforth the new dividend policy is as follows:

The group's dividend is set with reference to underlying core operating earnings taking cognisance of the need to (i) balance capital and legislative requirements, (ii) retain earnings and cash flows to support future growth (iii) and provide a sustainable dividend for shareholders. Subject to the consideration of the above, the targeted dividend cover based on underlying core operating earnings is between 2,0 and 2,5 times. The interim dividend is targeted as 40% of the previous year's final dividend.

Capital reduction out of share premium in lieu of an interim dividend for six months period ended 30 June 2011.

In terms of the general authority granted to the directors at the 2011 annual general meeting, the directors have approved a capital reduction out of share premium of 182 cents per ordinary share in lieu of an interim dividend. This is in accordance with the new dividend policy and is 40% of the 2010 full distribution. In relation to the capital reduction the directors are satisfied that the company will satisfy the solvency and liquidity test contained in Section 4 of the Companies Act of South Africa immediately after completing the proposed capital reduction.

#### Return on equity

The impact of the capital reduction on the Company as at 30 June 2011 is a reduction of share premium attributable to ordinary shareholders of R521 million.

The important dates pertaining to the capital reduction of 182 cents per ordinary share are as follows:

Last date to trade cum capital distribution on the JSE Friday, 26 August 2011

First trading day ex capital distribution on the JSE Monday, 29 August 2011

Record date Friday, 2 September 2011

Payment date Monday, 5 September 2011

Share certificates may not be de-materialised or re-materialised between Monday, 29 August 2011 and Friday, 2 September 2011, both days inclusive (from ex-dividend to record date). Where applicable, in terms of instructions received by the Company from certificated shareholders, the payment of the capital reduction will be made electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, cheques will be posted to shareholders.

Shareholders who have de-materialised their shares will have their accounts with their CSDP or broker credited on Monday, 5 September 2011.

#### Prospects

Ongoing volatility in the South African investment market, in which the group mainly operates, will continue to affect the returns achieved on the shareholders' investment portfolio. However, the group's improved balance sheet management process coupled with the enhancements in the core operating businesses should help mitigate some of this impact. Our focus remains on increasing new business sales and margins, delivering the business case within our growth cluster, as well as continuing delivery of superior investment returns in our asset management business.

Bruce Hemphill Saki Macozoma

Chief Executive Chairman

3 August 2011

Liberty Holdings Limited

Incorporated in the Republic of South Africa

Transfer Secretaries

Computershare Investor

Services (Pty) Limited

(Registration number: 1968/002095/06)

JSE code: LBH

(Registration number: 2004/003647/07)

Ground Floor, 70 Marshall Street,

Johannesburg 2001

ISIN code: ZAE0000127148

PO Box 61051, Marshalltown 2107

Telephone +27 11 408 3911

Telephone +27 11 370 5000

Sponsor:

Merrill Lynch South Africa (Pty) Limited

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

Accounting policies

The 2011 interim results have been prepared in accordance with and containing information required by International Financial Reporting Standards (IFRS) including full compliance with IAS 34 Interim Financial Reporting as well as the AC 500 standards as issued by the Accounting Practices Board or its successor. They are also in compliance with the Listings Requirements of the JSE Limited and the Companies Act of South Africa.

The accounting policies adopted in the preparation of the consolidated financial statements are in terms of IFRS and are consistent with those adopted in the previous financial year.

However, in preparing the full annual 2010 financial results, Liberty elected to early adopt the Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets which requires retrospective application. The result was the restatement of the deferred tax liability in respect of revaluation surpluses of long-term strategic investment properties at the sale income tax rate and not the use income tax rate. Policyholder liabilities consequently were also adjusted. In light of this election the 30 June 2010 published results require a restatement. The financial statement impact of this change as at 30 June 2010 was an increase in policyholder liabilities under insurance contracts of R511 million and policyholder liabilities under investment contracts of R245 million, with a corresponding decrease to deferred taxation of R756 million. There is no impact to total profit or loss arising from the change.

Several other amendments to IFRS standards or interpretations were made by the International Accounting Standards Board which are effective for the period under review or which were early adopted by the group. These amendments or interpretations are either not significant or not applicable to the 2011 interim results of the group.

Review/Audit

These interim results have not been reviewed or audited by the company's auditors, PricewaterhouseCoopers Inc.

Definitions

BEE normalised: headline earnings per share, return on equity, group equity value per share and return on group equity value.

These measures reflect the economic reality of the Black Economic Empowerment (BEE) transaction 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.

Health lives under administration

This reflects the number of natural persons covered for medical risk insurance (either through medical aids or directly), for which Liberty Health provides administration services.

Long-term insurance operations - Indexed new business

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

Long-term insurance operations - New business margin

This is the value of new business as defined below, expressed as a percentage of the present value of future expected premiums at the point of sale.

Long-term insurance operations - Value of new business

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

FCTR: Foreign Currency translation Reserve

Statement of financial position

as at 30 June 2011

	Unaudited 30 June 2011 Rm	Restated unaudited 30 June 2010 Rm	Audited 31 Dec 2010 Rm
Assets			
Equipment and owner-occupied properties under development	956	913	957
Owner-occupied properties	1 508	1 712	1 513
Investment properties	22 095	19 520	21 521
Intangible assets	1 034	1 255	1 046
Defined benefit pension fund employer surplus	194	162	202
Deferred acquisition costs	387	355	364
Interests in joint ventures	630	597	605

Reinsurance assets	862	856	847
Operating leases - accrued income	1 186	1 143	1 107
Pledged assets		1 572	
Held for trading assets	2 992		2 659
Interests in associates - mutual funds	15 745	4 849	5 814
Financial investments	185 642	174 235	192 317
Deferred taxation	161	193	147
Prepayments, insurance and other receivables	4 859	4 775	2 884
Cash and cash equivalents	6 024	8 316	5 858
Total assets	244 275	220 453	237 841
Liabilities			
Policyholder liabilities	199 744	182 349	197 878
Insurance contracts	140 040	128 231	138 873
Investment contracts with discretionary participation features	2 567	2 431	2 634
Financial liabilities under investment contracts	57 137	51 687	56 371
Financial liabilities at amortised cost	2 182	2 139	2 143
Third party financial liabilities arising on consolidation of mutual funds	12 126	10 281	11 000
Employee benefits	747	552	830
Deferred revenue	146	128	139
Deferred taxation	2 513	2 050	2 437
Short-term insurance liabilities	208		
Provisions	145	206	172
Operating leases - accrued expense	120	166	144
Held for trading liabilities	2 341	533	1 909
Insurance and other payables	8 031	8 399	6 070
Current taxation	1 010	368	740
Total liabilities	229 313	207 171	223 462
Equity			
Ordinary shareholders' interests	12 107	10 780	11 716
Share capital	26	26	26
Share premium	6 662	7 127	6 654
Retained surplus	6 231	4 353	5 842
Other reserves	(812)	(726)	(806)
Non-controlling interests	2 855	2 502	2 663
Total equity	14 962	13 282	14 379
Total equity and liabilities	244 275	220 453	237 841
Statement of comprehensive income for the six months ended 30 June 2011			

	Unaudited 30 June 2011 Rm	Unaudited 30 June 2010 Rm	Audited 31 Dec 2010 Rm
Revenue			
Insurance premiums	12 366	10 991	22 812
Reinsurance premiums	(424)	(334)	(699)
Net insurance premiums	11 942	10 657	22 113
Service fee income from policyholder investment contracts	416	388	868
Investment income	5 705	5 401	10 910
Hotel operations sales	320	286	687
Investment gains	661	(2 122)	15 290
Fee revenue	801	727	1 487
Defined benefit pension fund employer surplus	(9)		11
Total revenue	19 836	15 337	51 366
Claims and policyholders benefits under insurance contracts	(10 950)	(10 879)	(22 096)
Insurance claims recovered from reinsurers	288	278	558
Change in policyholder liabilities	(93)	1 863	(8 991)
Insurance contracts	(174)	1 534	(9 108)
Investment contracts with discretionary participation features	67	261	58
Applicable to reinsurers	14	68	59
Fair value adjustment to policyholder liabilities under investment contracts	(1 300)	(555)	(6 257)
Fair value adjustment on third party mutual fund interests	(755)	(96)	(549)
Acquisition costs	(1 497)	(1 374)	(2 906)
General marketing and administration expenses	(3 048)	(2 689)	(5 931)
Finance costs	(135)	(128)	(265)
Profit share allocations under bancassurance and other agreements	(292)	(216)	(504)
Goodwill impairment			(114)
Equity accounted earnings from joint ventures and associates	17	14	45

Profit before taxation	2 071	1 555	4 356
Taxation	(832)	(478)	(1 717)
Total earnings	1 239	1 077	2 639
Other comprehensive (loss)/income	(19)	10	(96)
Owner-occupied properties - fair value adjustment	17	20	(99)
Foreign currency translation	(26)	(8)	(28)
Income and capital gains tax relating to owner-occupied Properties - fair value adjustment	(10)	(2)	31
Total comprehensive income	1 220	1 087	2 543
Total earnings attributable to:			
Ordinary shareholders' interests	1 147	969	2 393
Non-controlling interests	92	108	246
Total comprehensive income attributable to:	1 239	1 077	2 639
Ordinary shareholders' interests	1 142	981	2 302
Non-controlling interests	78	106	241
	1 220	1 087	2 543
	Cents	Cents	Cents
Basic earnings per share	440,2	371,9	918,6
Fully diluted basic earnings per share	422,9	358,2	883,3
Headline earnings and earnings per share for the six months ended 30 June 2011			

	Unaudited 30 June 2011 Rm	Unaudited 30 June 2010 Rm	Audited 31 Dec 2010 Rm
Reconciliation of total earnings to headline earnings attributable to equity holders			
Total earnings attributable to equity holders	1 147	969	2 393
Adjustments			
Preference share dividend	(1)	(1)	(2)
Basic earnings attributable to ordinary shareholders	1 146	968	2 391
Goodwill and intangible assets impairments			96
Impairment of investment in joint venture			14
FCTR recycled through profit or loss			21
Headline earnings attributable to ordinary shareholders	1 146	968	2 522
Net income earned on BEE preference shares	34	39	75
BEE normalised headline earnings attributable to ordinary equity holders	1 180	1 007	2 597
Weighted average number of shares in issue (`000)	260 298	260 216	260 196
BEE normalised weighted average number of shares in issue (`000)	286 094	286 012	285 992
Fully diluted weighted average number of shares in issue (`000)	270 965	270 165	270 589
	Cents	Cents	Cents
Earnings per share attributable to ordinary equity holders			
Basic	440,2	371,9	918,6
Headline	440,2	371,9	968,8
BEE normalised headline	412,4	351,9	907,6
Fully diluted earnings per share attributable to ordinary equity holders			
Basic	422,9	358,2	883,3
Headline	422,9	358,2	931,6
Condensed statement of changes in shareholders' funds for the six months ended 30 June 2011			

	Unaudited 30 June 2011 Rm	Unaudited 30 June 2010 Rm	Audited 31 Dec 2010 Rm
Balance of ordinary shareholders' funds at 1 January	11 716	10 515	10 515
Dividend/capital reduction (1)	(832)	(832)	(1 301)
Total comprehensive income	1 142	981	2 302
Share buy-back		(19)	(30)
Subscription for shares	8	11	20
Black Economic Empowerment transaction	67	80	117
Share-based payments	27	31	60
Payment on settlement of share options/rights	(1)	(1)	(2)
Acquisition of additional interests in subsidiary		(3)	(2)
Preference dividend	(1)	(1)	(2)
FCTR recycled through profit or loss			21
Profit on partial disposal of a subsidiary		18	18
Acquisition of CfC Insurance Holdings Limited	(19)		

Ordinary shareholders' funds	12 107	10 780	11 716
Balance on non-controlling interests at 1 January	2 663	2 420	2 420
Total comprehensive income	78	106	241
Unincorporated property partnerships	(21)	(31)	(1)
Non-controlling share of subsidiary dividend	(7)	(1)	(3)
Acquisition of additional interests in subsidiary		(14)	(16)
Issue of shares in subsidiary		40	40
Profit on partial disposal of a subsidiary		(18)	(18)
Acquisition of Cfc Insurance Holdings Limited	142		
Non-controlling interests	2 855	2 502	2 663
Total shareholders' funds	14 962	13 282	14 379

(1) (30 June 2011: 2010 final dividend of 291 cents per share, 30 June 2010: 2009 final capital reduction of 291 cents per share, 31 December 2010 : interim and final capital reduction of 455 cents per share)

Condensed statement of cash flows for the six months ended 30 June 2011

	Unaudited 30 June 2011 Rm	Unaudited 30 June 2010 Rm	Audited 31 Dec 2010 Rm
Operating activities	1 645	1 041	1 632
Investing activities	(1 731)	(3 333)	(6 498)
Financing activities	57	(31)	85
Net (decrease)/increase in cash and cash equivalents	(29)	(2 323)	(4 781)
Cash and cash equivalents at the beginning of the year	5 858	10 637	10 637
Foreign currency translation	(15)		
Cash and cash equivalents acquired through business acquisition	210	2	2
Cash and cash equivalents at the end of the period	6 024	8 316	5 858

Condensed segment information

for the six months ended 30 June 2011

The unaudited segment results for the six months ended 30 June 2011 are as follows:

	Long-term insurance		Asset manage- ment
Rm	Retail	Corporate	
Total revenue	16 731	4 748	987
Profit/(loss) before taxation	1 462	96	356
Taxation	(701)	(27)	(95)
Total earnings	761	69	261
Other comprehensive income/(loss)	(22)	1	(3)
Total comprehensive income/(loss)	739	70	258
Attributable to:			
Non-controlling interests	11		(6)
Equity holders	750	70	252
Reconciliation of total earnings to headline earnings/(loss) attributable to equity holders			
Total earnings/(loss) attributable (to)/from non-controlling interests	(1)		(8)
Preference dividend			
Headline earnings/(loss)	760	69	253
Net income earned on BEE preference shares			
BEE normalised headline earnings/(loss)	760	69	253
	Health services	Other	Total
Rm			
Total revenue	155	596	23 217
Profit/(loss) before taxation	(45)	114	1 983
Taxation		(9)	(832)
Total earnings	(45)	105	1 151
Other comprehensive income/(loss)		5	(19)
Total comprehensive income/(loss)	(45)	110	1 132
Attributable to:			
Non-controlling interests	13	(8)	10
Equity holders	(32)	102	1 142
Reconciliation of total earnings to headline earnings/(loss)			

attributable to equity holders			
Total earnings/(loss)	(45)	105	1 151
Attributable (to)/from non-controlling interests	13	(8)	(4)
Preference dividend		(1)	(1)
Headline earnings/(loss)	(32)	96	1 146
Net income earned on BEE preference shares		34	34
BEE normalised headline earnings/(loss)	(32)	130	1 180

	Reporting adjust-ments (1)	IFRS reported
Rm		
Total revenue	(3 381)	19 836
Profit/(loss) before taxation	88	2 071
Taxation		(832)
Total earnings	88	1 239
Other comprehensive income/(loss)		(19)
Total comprehensive income/(loss)	88	1 220
Attributable to:		
Non-controlling interests	(88)	(78)
Equity holders		1 142
Reconciliation of total earnings to headline earnings/(loss) attributable to equity holders		
Total earnings/(loss)	88	1 239
Attributable (to)/from non-controlling interests	(88)	(92)
Preference dividend		(1)
Headline earnings/(loss)		1 146
Net income earned on BEE preference shares		34
BEE normalised headline earnings/(loss)		1 180

(1) Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, and the elimination of inter-group transactions. The unaudited segment results for the six months ended 30 June 2010 are as follows:

	Long-term insurance		
			Asset manage-ment
Rm	Retail	Corporate	
Total revenue	13 892	3 547	862
Profit/(loss) before taxation	902	114	300
Taxation	(354)	(32)	(82)
Total earnings	548	82	218
Other comprehensive income/(loss)	14	2	(2)
Total comprehensive income/(loss)	562	84	216
Attributable to:			
Non-controlling interests			(7)
Equity holders	562	84	209
Reconciliation of total earnings to headline earnings/(loss) attributable to equity holders			
Total earnings/(loss)	548	82	218
Attributable (to)/from non-controlling interests	(1)		(8)
Preference dividend			
Headline earnings/(loss)	547	82	210
Net income earned on BEE preference shares			
BEE normalised headline earnings/(loss)	547	82	210
	Health services	Other	Total
Rm			
Total revenue	152	465	18 918
Profit/(loss) before taxation	(33)	165	1 448
Taxation	2	(12)	(478)
Total earnings	(31)	153	970
Other comprehensive income/(loss)		(4)	10
Total comprehensive income/(loss)	(31)	149	980
Attributable to:			
Non-controlling interests	8		1
Equity holders	(23)	149	981
Reconciliation of total earnings to headline earnings/(loss)			

attributable to equity holders			
Total earnings/(loss)	(31)	153	970
Attributable (to)/from non-controlling interests	8		(1)
Preference dividend		(1)	(1)
Headline earnings/(loss)	(23)	152	968
Net income earned on BEE preference shares		39	39
BEE normalised headline earnings/(loss)	(23)	191	1 007

	Reporting adjust-ments(1)	IFRS reported
Rm		
Total revenue	(3 581)	15 337
Profit/(loss) before taxation	107	1 555
Taxation		(478)
Total earnings	107	1 077
Other comprehensive income/(loss)		10
Total comprehensive income/(loss)	107	1 087
Attributable to:		
Non-controlling interests	(107)	(106)
Equity holders	-	981
Reconciliation of total earnings to headline earnings/(loss) attributable to equity holders		
Total earnings/(loss)	107	1 077
Attributable (to)/from non-controlling interests	(107)	(108)
Preference dividend		(1)
Headline earnings/(loss)	-	968
Net income earned on BEE preference shares		39
BEE normalised headline earnings/(loss)		1 007

(1) Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, and the elimination of inter-group transactions.

The audited segment results for the year ended 31 December 2010 are as follows:

	Long-term insurance		
	Retail	Corporate	Asset management
Rm			
Total revenue	43 419	11 853	1 834
Profit/(loss) before taxation	2 913	240	680
Taxation	(1 380)	(61)	(187)
Total profit/(loss)	1 533	179	493
Other comprehensive loss	(66)	(7)	(7)
Total comprehensive income/(loss)	1 467	172	486
Attributable (to)/from non-controlling interests	5		(10)
Equity holders	1 472	172	476
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders			
Total earnings/(loss)	1 533	179	493
Attributable (to)/from non-controlling interests	2		(13)
Preference share dividend			
Goodwill and intangible assets impairments			
Impairment of investment in joint venture			
FCTR recycled through profit or loss			
Headline earnings/(loss)	1 535	179	480
Net income earned on BEE preference shares			
BEE normalised headline earnings/(loss)	1 535	179	480
	Health services	Other	Total
Rm			
Total revenue	353	1 194	58 653
Profit/(loss) before taxation	(232)	469	4 070
Taxation	10	(99)	(1 717)
Total profit/(loss)	(222)	370	2 353
Other comprehensive loss		(16)	(96)
Total comprehensive income/(loss)	(222)	354	2 257

Attributable (to)/from non-controlling interests	51	(1)	45
Equity holders	(171)	353	2 302
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders			
Total earnings/(loss) attributable (to)/from non-controlling interests	(222)	370	2 353
Preference share dividend	52	(1)	40
Goodwill and intangible assets impairments		(2)	(2)
Impairment of investment in joint venture	96		96
FCTR recycled through profit or loss		14	14
Headline earnings/(loss)		21	21
Net income earned on BEE preference shares	(74)	402	2 522
BEE normalised headline earnings/(loss)		75	75
	(74)	477	2 597

	Reporting adjust-ments(1)	IFRS reported
Rm		
Total revenue	(7 287)	51 366
Profit/(loss) before taxation	286	4 356
Taxation		(1 717)
Total profit/(loss)	286	2 639
Other comprehensive loss		(96)
Total comprehensive income/(loss)	286	2 543
Attributable (to)/from non-controlling interests	(286)	(241)
Equity holders		2 302
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders		
Total earnings/(loss) attributable (to)/from non-controlling interests		2 639
Preference share dividend	(286)	(246)
Goodwill and intangible assets impairments		(2)
Impairment of investment in joint venture		96
FCTR recycled through profit or loss		14
Headline earnings/(loss)		21
Net income earned on BEE preference shares		2 522
BEE normalised headline earnings/(loss)		75
		2 597

(1) Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, and the elimination of inter-group transactions.  
Group equity value report (previously Group Embedded Value)

#### 1. Introduction

Phase two of Liberty Holdings' legal entity reorganisation was implemented effective 1 January 2010. This entailed the transfer of non long-term insurance legal entities from Liberty Group Limited to Liberty Holdings Limited. In addition, as part of the strategy to expand the geographical footprint in chosen African countries, a sub group of both insurance and asset management entities was established in Namibia controlled by Liberty Holdings Namibia (Pty) Limited, in which Liberty Holdings Limited owns 75%. With effect from 1 April 2011 Liberty Holdings Limited acquired a 57% controlling interest in CfC Insurance Holdings Limited (CfC) based in Kenya and listed on the Nairobi Stock Exchange. CfC conducts short and long-term insurance business in East Africa. Liberty now presents a "group equity value" report to reflect the combined value of the various components of Liberty's businesses. In light of the increasing contributions of non long-term insurance businesses it was decided to change the description to group equity value to better reflect the purpose of the report. Sections 2 and 3 below describe the valuation basis used for each reported component. It should be noted the group equity value is presented to provide additional information to shareholders to assess performance of the group. The total equity value is not intended to be a fair value calculation of the group but should provide indicative information of the inherent value of the component parts.

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

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

South African covered business:

The wholly owned subsidiary, Liberty Group Limited (LGL) comprises the cluster of South African long-term insurance entities and related asset holding entities. The embedded value methodology applied historically in terms of Professional Guidance Note 107 issued by the Actuarial Society of South Africa continues to be used to derive the value of this business cluster described as "South African covered business". The embedded value report of the South African covered business has been reviewed by the company's statutory actuary (refer 3 below).

Other businesses:

STANLIB: Valued using a 10 times (2010: 10 times) multiple of estimated sustainable earnings.

Liberty Properties: Valued using a 10 times (2010: 10 times) multiple of estimated sustainable earnings.

Fountainhead: Fountainhead has been valued on an earnings yield basis.

Liberty Health: Liberty Health is in a growth phase and has yet to establish a history to support a sustainable earnings calculation. The group equity value includes Liberty Health at IFRS net asset value.

Liberty Africa: Liberty Africa is an emerging cluster of wealth businesses located outside of South Africa. A combination of valuation techniques including embedded value, discounted cash flow and earnings multiples have been applied to value these businesses. The combined value of this cluster is not material relative to the other components of group equity value and therefore a detailed analysis of this valuation has not been presented. The newly acquired CFC Insurance Holdings group has been valued at purchase price.

Other adjustments: These comprise the net market value of assets and liabilities held by the Liberty Holdings Limited company excluding investments in subsidiaries valued separately, the fair value of share options/rights allocated to staff not employed by LGL and allowance for certain shareholder recurring costs incurred in Liberty Holdings capitalised at a multiple of 6 times.

3. Description of embedded value of South African covered business

The current version of Professional Guidance Note (PGN)107 came into force for all financial years ending on or after 31 December 2008. PGN107 governs the way in which embedded values of life assurance companies are reported.

The embedded value consists of:

- the net worth; plus
- the value of in-force covered business; less
- the cost of required capital.

The net worth represents the excess of assets over liabilities on the statutory valuation method, adjusted for the elimination of the carrying value of covered business acquired and for the fair value of share options/rights granted to Liberty Group Limited employees.

The value of in-force covered business 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, which differs from the release of profits on the published accounting basis. 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 written in Liberty Group Limited or its subsidiary life companies.

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 for distribution to shareholders. This comprises the statutory CAR calculated in accordance with PGN104 plus any additional capital considered by the board

appropriate given the risks in the business. For Liberty Group Limited, required capital has been calculated at 1,7 x CAR. For subsidiary life companies a multiple of 1,5 x CAR has been used. 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 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 reporting period. Risk policies with an inception date prior to the reporting date where no premium has been received are included in the embedded value and value of new business. The contractual terms of these policies state that Liberty Group Limited is on risk from the inception date, even though a premium may not have been received. 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 date of reporting have been used.

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

#### 4. BEE normalised group equity value

##### 4.1 Analysis of BEE normalised group equity value

	SA covered business Rm	Other busi- nesses Rm	Group funds invested Rm	Adjust- ments Rm
30 June 2011				
SA insurance operations (excluding Frank.net)	7 341		7 341	(3 237)
Retail SA Corporate				
Frank.net	90		90	(28)
Value of in-force acquired	383		383	(383)
Working capital	2 803		2 803	(260)
South African insurance operations	10 617		10 617	(3 908)
Other group businesses:				
STANLIB		272	272	3 528
Properties (including Fountainhead)	160	108	268	682
Liberty Health (including Total Health Trust)	256		256	
Liberty Africa	22	302	324	76
Liberty Holdings		370	370	55
Cost of capital				
Net equity as reported under IFRS	11 055	1 052	12 107	433
BEE preference funding	1 090		1 090	
Allowance for future shareholders costs		(156)	(156)	
Allowance for STC options/rights	(171)	(111)	(282)	
BEE normalised equity value	11 974	785	12 759	433
Summary of adjustments:				
Negative rand reserves	(3 237)		(3 237)	
Deferred acquisition costs	(387)		(387)	
Deferred revenue liability	146		146	
Internally generated software	(55)	55		
Frank.net allowance for future expenses	(28)		(28)	
Carrying value of in-force business acquired	(383)		(383)	
Fair value adjustment of non SA covered business		4 286	4 286	
Other	36		36	
	(3 908)	4 341	433	

(1) Reconciliation to SA covered business net worth as per analysis in supplementary information Liberty Group Limited IFRS consolidated net asset value

Adjusted net asset value	11 055
Adjustments as above	(3 908)
Allowance for employee share options/rights	(171)
Net worth as reported	6 976

Value of  
in-force:

	Net worth(1) Rm	SA covered business Rm	Total Rm	
30 June 2011				
SA insurance operations (excluding Frank.net)	4 104	16 448	20 552	
Retail SA		14 778		
Corporate		1 670		
Frank.net	62	24	86	
Value of in-force acquired				
Working capital	2 543		2 543	
South African insurance operations	6 709	16 472	23 181	
Other group businesses:				
STANLIB	3 800		3 800	
Properties (including Fountainhead)	950		950	
Liberty Health (including Total Health Trust)	256		256	
Liberty Africa	400	19	419	
Liberty Holdings	425		425	
Cost of capital		(1 336)	(1 336)	
Net equity as reported under IFRS	12 540	15 155	27 695	
BEE preference funding	1 090		1 090	
Allowance for future shareholders costs	(156)	(1 504)	(1 660)	
Allowance for STC				
Allowance for employee share options/rights	(282)		(282)	
BEE normalised equity value	13 192	13 651	26 843	
Summary of adjustments:				
Negative rand reserves				
Deferred acquisition costs				
Deferred revenue liability				
Internally generated software				
Frank.net allowance for future expenses				
Carrying value of in-force business acquired				
Fair value adjustment of non SA covered business				
Other				
(1) Reconciliation to SA covered business net worth as per analysis in supplementary information				
Liberty Group Limited IFRS consolidated net asset value				
Adjustments as above				
Allowance for employee share options/rights				
Net worth as reported				
	SA covered business Rm	Other busi- nesses Rm	Group funds invested Rm	Adjust- ments Rm
31 December 2010				
SA insurance operations (excluding Frank.net)	7 043		7 043	(3 125)
Retail SA				
Corporate				
Frank.net	99		99	(42)
Value of in-force acquired	440		440	(440)
Working capital	2 827		2 827	(244)
South African insurance operations	10 409		10 409	(3 851)
Other group businesses:				
STANLIB		230	230	3 370
Properties (including Fountainhead)	152	121	273	671
Liberty Health (including Total Health Trust)	267		267	
Liberty Africa	42	110	152	22
Liberty Holdings		385	385	50
Cost of capital				
Net equity as reported under IFRS	10 870	846	11 716	262
BEE preference funding	1 119		1 119	
Allowance for future shareholders costs		(101)	(101)	
Allowance for STC		(257)	(257)	
Allowance for employee share options/rights	(183)	(75)	(258)	
BEE normalised equity value	11 806	413	12 219	262
Summary of adjustments:				
Negative rand reserves	(3 125)		(3 125)	
Deferred acquisition costs	(364)		(364)	
Deferred revenue liability	139		139	
Internally generated software	(50)	50		
Frank.net allowance for				

future expenses	(42)		(42)
Carrying value of in-force business acquired	(440)		(440)
Fair value adjustment of non SA covered business		4 063	4 063
Other	31		31
	(3 851)	4 113	262
(1) Reconciliation to SA covered business net worth as per analysis in supplementary information Liberty Group Limited IFRS consolidated net asset value			
	10 870		
Adjustments as above	(3 851)		
Allowance for employee share options/rights	(183)		
Net worth as reported	6 836		

	Net worth(1)	Value of in-force: SA covered business	Total
	Rm	Rm	Rm
31 December 2010			
SA insurance operations (excluding Frank.net)	3 918	16 522	20 440
Retail SA		14 807	
Corporate Frank.net	57	1 715	57
Value of in-force acquired			
Working capital	2 583		2 583
South African insurance operations	6 558	16 522	23 080
Other group businesses:			
STANLIB	3 600		3 600
Properties (including Fountainhead)	944		944
Liberty Health (including Total Health Trust)	267		267
Liberty Africa	174	21	195
Liberty Holdings	435		435
Cost of capital		(1 433)	(1 433)
Net equity as reported under IFRS	11 978	15 110	27 088
BEE preference funding	1 119		1 119
Allowance for future shareholders costs	(101)	(1 561)	(1 662)
Allowance for STC	(257)		(257)
Allowance for employee share options/rights	(258)		(258)
BEE normalised equity value	12 481	13 549	26 030
Summary of adjustments:			
Negative rand reserves			
Deferred acquisition costs			
Deferred revenue liability			
Internally generated software			
Frank.net allowance for future expenses			
Carrying value of in-force business acquired			
Fair value adjustment of non SA covered business			
Other			
(1) Reconciliation to SA covered business net worth as per analysis in supplementary information Liberty Group Limited IFRS consolidated net asset value			
Adjustments as above			
Allowance for employee share options/rights			
Net worth as reported			

#### 4.2 BEE normalised group equity value earnings and value per share 30 June 2011

	SA covered business	Other busi- nesses	Total
	Rm	Rm	Rm
BEE normalised equity value at end of the period	21 717	5 126	26 843
BEE preference shares	1 090		1 090
Equity value at the end of the period	20 627	5 126	25 753
Adjustments from group restructure	15	(15)	
Capital transactions		(8)	(8)
Intergroup dividends	850	(850)	

Dividends paid		832	832
BEE normalised equity value at beginning of the period	(21 504)	(4 526)	(26 030)
Equity value at beginning of the period	(20 385)	(4 526)	(24 911)
BEE preference shares	(1 119)		(1 119)
BEE normalised equity value earnings	1 078	559	1 637
BEE normalised return on group equity value	10,3%	26,1%	13,0%
BEE normalised number of shares			286 189
Number of shares in issue			260 393
Adjustment for BEE ordinary shares			25 796
BEE normalised group equity value per share (Rand)			93,79

31 December 2010

	SA covered business Rm	Other businesses Rm	Total Rm
BEE normalised equity value at end of the period	21 504	4 526	26 030
BEE preference shares	1 119		1 119
Equity value at the end of the period	20 385	4 526	24 911
Adjustments from group restructure	3 979	(3 979)	
Capital transactions		10	10
Intergroup dividends	1 092	(1 092)	
Dividends paid		1 301	1 301
BEE normalised equity value at beginning of the period	(24 051)	(67)	(24 118)
Equity value at beginning of the period	(22 892)	(67)	(22 959)
BEE preference shares	(1 159)		(1 159)
BEE normalised equity value earnings	2 524	699	3 223
BEE normalised return on group equity value	12,6%	17,3%	13,4%
BEE normalised number of shares			286 022
Number of shares in issue			260 226
Adjustment for BEE ordinary shares			25 796
BEE normalised group equity value per share (Rand)			91,01

4.3 Sources of BEE normalised group equity value earnings

30 June 2011

	SA covered business Rm	Other businesses Rm	Total Rm
Value of new business written in the period	137	7	144
Expected return on value of in-force business	825		825
Variations/changes in operating assumptions	364	(99)	265
Operating experience variances	266	(44)	222
Operating assumption changes	30	(55)	(25)
Changes in modelling methodology	68		68
Headline earnings of other businesses	(17)	239	222
Operational equity value profits	1 309	147	1 456
Non headline loss of other businesses			
Development costs (non-recurring project cost of future developments)	(24)		(24)
Investment return on net worth	157	(18)	139
Investment variances	(261)		(261)
Changes in economic assumptions	(115)		(115)
Increase in fair value adjustments on value of other businesses		209	209
Change in allowance for share options/rights	12	(36)	(24)
Change in STC allowance		257	257
Group equity value earnings	1 078	559	1 637

31 December 2010

	SA covered business Rm	Other businesses Rm	Total Rm
Value of new business written in the period	252	9	261
Expected return on value of in-force business	1 619		1 619
Variations/changes in operating assumptions	116	(101)	15
Operating experience variances	399		399
Operating assumption changes	(390)	(101)	(491)
Changes in modelling methodology	107		107
Headline earnings of other businesses	(74)	454	380
Operational equity value profits	1 913	362	2 275
Non headline loss of other businesses	(110)		(110)
Development costs (non-recurring project cost of future developments)	(72)		(72)
Investment return on net worth	573	146	719
Investment variances	(41)		(41)
Changes in economic assumptions	331		331
Increase in fair value adjustments on value			



	2011 Rm	2010 Rm	2010 Rm
Unaudited			
Premiums			
Recurring	10 217	9 585	19 473
Retail	7 195	6 832	13 719
Corporate	3 022	2 753	5 754
Single	6 169	5 221	11 382
Retail	3 406	2 780	6 098
Corporate	693	487	1 376
Immediate annuities	2 070	1 954	3 908
Net premium income from insurance contracts and inflows from investment contracts	16 386	14 806	30 855
Claims and policyholders benefits			
Retail	(11 199)	(11 089)	(22 666)
Death and disability claims	(2 072)	(1 987)	(4 043)
Policy maturity claims	(2 177)	(2 216)	(4 373)
Policy surrender claims	(5 263)	(5 308)	(11 054)
Annuity payments	(1 687)	(1 578)	(3 196)
Corporate	(4 069)	(3 982)	(8 476)
Death and disability claims	(787)	(746)	(1 718)
Scheme terminations and member withdrawals	(3 135)	(3 095)	(6 478)
Annuity payments	(147)	(141)	(280)
Total claims and policyholders benefits	(15 268)	(15 071)	(31 142)
Long-term insurance net cash flows	1 118	(265)	(287)

Sources of insurance operations cash flows by business unit:

Retail SA	1 408	418	990
Corporate	(323)	(742)	(1 517)
STANLIB Multi-manager	(50)	4	(19)
Frank.net	1		
Liberty Africa (1)	82	55	259

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

Short-term insurance net cash flows for the six months ended 30 June 2011

	30 June 2011 Rm	31 Dec 2010 Rm
Unaudited		
Premiums	138	77
Liberty Health - medical risk	76	77
Liberty Africa - motor, property and other	39	
- medical risk	23	
Claims	(87)	(63)
Liberty Health - medical risk	(53)	(63)
Liberty Africa - motor, property and other	(17)	
- medical risk	(17)	
Net cash inflows from short-term insurance	51	14
Asset management net cash flows - STANLIB and Liberty Africa for the six months ended 30 June 2011		

	30 June 2011 Rm	30 June 2010 Rm	31 Dec 2010 Rm
Unaudited			
STANLIB before money market	1 821	(4 854)	(3 431)
Retail	4 177	1 129	5 908
Institutional	(2 356)	(5 983)	(9 339)
Money market	(2 933)	11 304	19 130
Retail	(696)	1 594	4 840
Institutional	(2 237)	9 710	14 290
Net STANLIB cash (outflows)/inflows(2)	(1 112)	6 450	15 699
Liberty Africa before money market	852	4 290	4 754
Retail	173	109	318
Institutional	679	4 181	4 436
Money market	218	993	1 726
Net Liberty Africa cash inflows(1)	1 070	5 283	6 480
Net cash (outflows)/inflows from asset management	(42)	11 733	22 179

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

(2) STANLIB cash flows exclude intergroup life funds.

Capital commitments as at 30 June 2011

Unaudited 30 June 2011 Rm	Unaudited 30 June 2010 Rm	Audited 31 Dec 2010 Rm
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Business acquisitions(1)	38	292	143
Equipment	180	198	236
Investment and owner-occupied property	1 515	1 999	1 654
Total capital commitments	1 733	2 489	2 033
Under contracts	961	1 390	458
Authorised by the directors but not contracted	772	1 099	1 445
Under agreement with material conditions outstanding			130

(1) The board has approved an allocated amount towards possible business acquisitions.

The above 2011 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds, R276 million (31 December 2010: R313 million) from non-controlling interests in unincorporated property partnerships and R4 million (31 December 2010: R5 million) from non-controlling interests in Liberty Health Holdings (Pty) Limited.

Retirement benefit obligations as at 30 June 2011

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 30 June 2011, the Liberty post-retirement medical aid benefit liability was R413 million (31 December 2010: R400 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.

Related parties

as at 30 June 2011

The following selected significant related party transactions have occurred in the 30 June 2011 financial period:

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 1 January 2011	17 364	1 868	1,10
Purchases	310	32	
Sales	(6 013)	(614)	
Fair value adjustments		(120)	
Balance at 30 June 2011	11 661	1 166	0,74

2) Bancassurance

The Liberty group has entered into joint venture bancassurance 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. New business premium income in respect of this business in the first half of 2011 amounted to R2 288 million (December 2010: R4 407 million). In terms of the agreements, Liberty's group subsidiaries pay joint venture profit shares to various Standard Bank operations. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. The total combined net profit share amounts accrued as payable to the Standard Bank group for the six months to 30 June 2011 are R281 million (December 2010: R463 million).

The agreements are evergreen agreements with a 24-month notice period for termination, but neither party may give notice of termination until February 2013. As the joint venture bancassurance relationship provides commercial benefits to both Liberty and Standard Bank, a governance framework is in place to protect the interests of minority shareholders.

In order to provide enhanced transparency and further detail in respect of Liberty's joint venture bancassurance arrangements with Standard Bank, a summary document has been published on the investor relations page of Liberty's website ([www.liberty.co.za](http://www.liberty.co.za)).

3) Acquisition of CfC Insurance Holdings Limited (CfC)

To continue the execution of the group's strategy to extend its market share of the wealth management business in African countries outside of South Africa, Liberty has acquired a 57% controlling stake in CfC. The effective date of the transaction is 1 April 2011.

CfC is a leading Kenyan life, health and general insurance group consisting of CfC Life Assurance and the Heritage Insurance Company in Kenya and Tanzania. CfC previously was a directly owned subsidiary of the Standard Bank Group and the transaction is therefore defined as a common control transaction. In terms of the group's accounting policies Liberty accounts for the respective assets and liabilities acquired at the Standard Bank Group Limited carrying values at the date of the transaction. The excess paid over the net carrying value is accounted for directly in equity.

The purchase price is R199 million consisting of R84 million of new equity capital, a R108 million payment to Standard Bank and an expected additional amount of USD1 million (rand equivalent of R7 million) relating to an earn out based on an asset base improvement impact on net value. The maximum possible

amount of the earn out is USD4 million and the latest possible settlement date for the earn out is 31 March 2013.

The assets and liabilities arising from the acquisition are as follows:

	Rm
Equipment and owner-occupied properties under development	55
Owner-occupied properties	51
Investment properties	43
Goodwill	26
Intangible assets	51
Financial investments	1 340
Prepayments, insurance and other receivables	122
Other assets	5
Policyholder liabilities	(1 070)
Short-term insurance liabilities	(228)
Insurance and other payables	(169)
Deferred taxation	(71)
Other liabilities	(43)
Net assets and liabilities assumed	112
Cash acquired	210
Non-controlling interests(1)	(142)
Net asset value attributable to ordinary shareholders	180
Acquisition price	199
Capital contribution	84
Cash paid to Standard Bank	108
Contingent consideration	7
Excess purchase price accounted for directly in equity	(19)

(1) Non-controlling interests represent their proportionate share of the assets and liabilities assumed from the Standard Bank Group.

Since acquisition date, CfC have contributed R92 million to the group's total revenue and R10 million to the group's total earnings (of which R6 million was Liberty's share) for the six months ended 30 June 2011.

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